SPECIAL CHRISTMAS ISSUE

The Economist

A year of surprises
PAGE 9

The Democrats, after Gore
LEXINGTON, PAGE 28

Internet success stories
PAGE 95

Steven Spielberg, Luddite
FACE VALUE, PAGE 95

DECEMBER 21ST 2002–JANUARY 3RD 2003

Yee-hah!

Champagne • Texas • Barbie
Marx • Conspiracies • Gym cults
Dogs • African stories • Fat lawsuits
Car designers • Republicans and Tories
Office clutter • English • Pilotless planes
Christianity • Mongolia • Crossword
Vietnamese food • Diplomacy
Trucking in Africa • Sleep

US$4.95 · C$6.95

PRINT EDITION

Full contents
Enlarge current cover
Past issues/regional covers
Subscribe

GLOBAL AGENDA

POLITICS THIS WEEK

BUSINESS THIS WEEK

OPINION
Leaders
Letters

WORLD
United States
The Americas
Asia
Middle East & Africa
Europe
Britain
Country Briefings
Cities Guide

SURVEYS

BUSINESS
Management Reading
Business Education
Executive Dialogue

FINANCE & ECONOMICS
Economics Focus
Economics A-Z

SCIENCE & TECHNOLOGY
Technology Quarterly

PEOPLE
Obituary

BOOKS & ARTS
Style Guide

MARKETS & DATA
Weekly Indicators
Currencies
Big Mac Index

DIVERSIONS

RESEARCH TOOLS

CLASSIFIEDS

DELIVERY OPTIONS
E-mail Newsletters
Mobile Edition
RSS Feeds

ONLINE FEATURES
Cities Guide Go
Country Briefings Go
Audio interviews Go
Classifieds Go

The Economist Group
Economist Intelligence Unit
Economist Conferences
The World In
Intelligent Life
CFO
Roll Call
European Voice
EuroFinance Conferences
Economist Diaries and Business Gifts

Advertisement

Print Edition — December 21st 2002

A year of surprises
The past year, believe it or not, was surprisingly good. How about 2003? ... More on this week's lead article

Previous print editions
Dec 14th 2002
Dec 7th 2002
Nov 30th 2002
Nov 23rd 2002
Nov 16th 2002

More print editions and covers »

Subscribe
Subscribe to the print edition
Or buy a Web subscription for full access online
RSS feeds
Receive this page by RSS feed

The world this week
Politics this week
Business this week

Leaders
Looking back, looking ahead
A year of surprises

Iran
White knuckles

Drugs and developing countries
Pill paupers

Democracy in Africa
Booting out the big men

Letters
On Turkey, Mexican agriculture, accounting, Poland, European think-tanks, Chile's fire-fighters

United States
The Republican Party
Mississippi burning

Health insurance
In sickness and in health

Surveillance
Biter bit

New York labour disputes
A happy ending

Lexington
After Al

The Americas
Latin America
Praying for a happier new year

Venezuela's stand-off
Trench warfare

Celebrity spats
Dialectics at dawn

Asia
Indian politics
The nationalists' dark victory

The Khmers Rouges
Pol Pot's deputy in court

China
A jail by another name

Indonesia
The peacemakers from Switzerland

Middle East & Africa
Kenya's election
Waiting for the newish man

Côte d'Ivoire's civil war
Sliding bloodily into chaos

Iranian conservatives
Hard centres

Israel and the Palestinians
Floundering, without a map

The Iraqi opposition
Saddam's would-be successors

Europe
After the EU summit
And now let's have another look at the road map

Christmas Specials
Marx's intellectual legacy
Marx after communism

Barbie
Life in plastic

Texas
The future is Texas

Christianity
The fight for God

Infallible

Trucking in Cameroon
The road to hell is unpaved

Conspiracy theories
That's what they want you to believe

Who killed JFK?

Vietnamese food
Eating out in Vietnam

Nomadism in Mongolia
The - best place - last

Dogs
It's a dog's life

Republicans and Tories
A tale of two legacies

Champagne
Uncorking success

The earliest ambassadors
Sent abroad to lie

Pilotless planes
Help! There's nobody in the cockpit

The paperless office
In praise of clutter

Car designers
Putting on the style

The cult of the gym
The new puritans

Fast food in the dock
Battling against big food

Sleep
And so to bed

African narratives
Speaking of Africa

Language across frontiers
The English invasion

Business
E-commerce
Profits at last

Vodafone loses a boss
Sir Chris's call

British Aerospace
On the defensive

Manufacturing in Europe
How to make it

Club Méditerranée
Beached

Face value
A movie-making Luddite

Turkey and the EU
Well, thank you

Kaliningrad
Cut off

Al-Qaeda in Europe
Nightmare in Paris

Poland's coal industry
Tradition wins

Crossing the Pyrenees
Over? Round? Why not under?

Britain

Pensions
Poor old Britain

Insurance
Blame culture

Education
The stealthy elitist

The great fire of Edinburgh
Still blazing

Articles flagged with this icon are printed only in the British edition of *The Economist*

Finance & Economics

French banking
Farmers' folly

American exchanges
Market failure?

Japan's distressed-asset industry
Vulture's-eye view

Allianz
Jump or push?

The Financial Services Authority
Headhunting

Economics focus
Wobbly pillars

Science & Technology

Space telescopes
A Webb of intrigue

The cosmic microwave background
Pole position

Obituary

Dee Brown

Economic and Financial Indicators

Overview

Output, demand and jobs

Prices and wages

Insurance cover

Money and interest rates

The Economist commodity price index

Stockmarkets

Trade, exchange rates and budgets

Gold demand

Emerging-Market Indicators

Overview

Water poverty

Economy

Financial markets

Advertisement

Classifieds

Sponsors' feature About sponsorship »

Jobs
Governance Fellow on Security and Development (Ref 159)
This is an exciting opportunity to join one of the world's ....

Business / Consumer
WSI Internet - Start Your Own Business
Business Opportunity - WSI Internet Start Your Own Busines....

Tenders
Requests Expressions of Interest for The Development of a New Lignite Mining Facility and Associated New Electric Generating and Transmission

Jobs
Marketing Associate Needed
Marketing Associate Provide analytic support to the Global Product Strategy Group Respo....

Tenders
Republic of Ghana Ministry of Trade, Industry, PSD & PSI - Request for Expression of Interest: Preparation of Competition Bill for Ghana

Jobs
Regional Director Balkans
Job Profile Our Regional Director Balkans (based in Tirana), leads and mobil....

Copyright © The Economist Newspaper Limited 2006. All rights reserved. Advertising Info | Legal disclaimer | Accessibility | Privacy policy | Terms & Conditions | Help

Produced by = ECO PDF TEAM =
Thanks xxmama

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Politics this week

Dec 19th 2002
From The Economist print edition

Grading Iraq

As *The Economist* went to press, Hans Blix, head of the **UN's weapons inspectors**, prepared to give an initial verdict on the 12,000-page arms declaration delivered to the Security Council by Iraq. America and Britain had already said that the declaration contained falsehoods and omissions. An expurgated version of the document, containing only 3,500 pages, was circulated to the non-permanent members of the Security Council. America's preparations for a war against Iraq continued.

See article: No more games

Iraqi opposition groups meeting in London outlined the principles of the "pluralistic and federal" government they want to see take over in Iraq, and for a two-year transitional period after the fall of Saddam Hussein. But so many factions wanted a say on the follow-up committee that the conference was prolonged by two days, and the number of members trebled to 75.

See article: The Iraqi opposition

Colin Powell, America's secretary of state, called for a new "road map" for **Middle East peace** to be put on hold until after Israel's general election at the end of January. The EU had pushed for its publication beforehand.

AP

See article: A dead end?

The government of **Congo** signed a peace deal with the country's two main rebel groups. Joseph Kabila will remain president, and both rebel groups are to take a share of cabinet posts, as are civilian opposition parties. Elections are to be held in two years. Congo is vast and chaotic but, if all goes well, the country could be making its first serious attempt at democracy.

Admitting new members

Meeting in Copenhagen, leaders of **European Union** countries and of ten would-be members signed up to terms for the candidates' admission to the EU in 2004. But Turkey's plea for a date to start talks was rejected; it was told a date would be set only after the EU had (favourably) reviewed its progress toward acceptability in late 2004. And Cyprus—in practice, the Greek-Cypriot part only—was accepted, though there has been no progress on the UN's draft deal to reunite the island.

See article: After the EU's Copenhagen summit

Fishermen protested and blocked some ports as EU ministers prepared to haggle over proposals for sharp cuts in **fishing quotas**. "Let us be clear, the science is wrong," said the Scottish White Fish Producers' Association.

Police in France arrested four North Africans suspected of **terrorism**. In Italy, several explosive parcels were detected before they went off. Three were addressed to offices of the main Spanish airline, Iberia. Police blamed a small anarchist group. In Spain, ETA gunmen murdered a policeman investigating their car. It was later found to be carrying a large bomb.

See article: Al-Qaeda's threat to Europe

Rejecting an idea, fancied by some state premiers, of a tax on assets, **Germany's** government opted firmly for a lower (25%) withholding tax on savings income. There will be a limited amnesty for tax-evaders but less bank confidentiality for all. The decision won wide applause. But the government got a blow: the Constitutional Court struck down its new immigration law, about to go into force, that would have let in thousands of skilled foreign workers.

A French court ordered the reinstatement of a Muslim woman sacked by a private firm for wearing a **headscarf** that the bosses thought hid too much.

Goreless Americans

Al Gore said that he would not run for president in 2004, leaving the race for the Democratic candidacy wide open. His former running mate, Joe Lieberman, is one of several Democrats who have expressed an interest.

See article: Why Al Gore went

The Bush administration gave the go-ahead for a limited "evolutionary" **missile-defence shield**, to be ready by 2004. Britain and Denmark have been asked to upgrade their radar bases as part of the $17.5 billion project.

Republican senators scheduled a meeting for January 6th to discuss their leader, **Trent Lott**. The Mississippi conservative, who made remarks implicitly praising America's segregationist past, may still be forced to resign before the meeting.

AP

See article: Dealing with Trent Lott

Cardinal Bernard Law finally resigned as archbishop of Boston: he has been heavily criticised for not being tougher with **paedophile priests**.

Ruling on

India's ruling Hindu-nationalist party, the BJP, had a landslide win in the western state of **Gujarat**, raising fears of further violence in the state against Muslims.

See article: Indian politics

Two American soldiers and their Afghan interpreter were injured when a hand-grenade was thrown into their jeep in **Kabul**. A UN team said that al-Qaeda has set up new training camps in Afghanistan. President Hamid Karzai said there were no "large-scale" camps in the country.

Exit polls in **South Korea's** presidential election predicted a narrow win for Roh Moo-hyun, the candidate of the ruling party. Mr Roh favours "engagement" with communist North Korea. His main opponent has argued for a tougher policy.

See article: Elections and the chill from the North

A Chinese passenger ferry **capsized** after colliding with a cargo boat on the Yangzi river. Eight people drowned and 32 were missing. In another ferry disaster, this one in Brazil's Amazon region, at least seven people died and dozens were missing.

Six people were trampled to death by elephants that got drunk on rice beer when they broke into a granary in the north-eastern Indian state of **Assam**.

Striking ahead

Venezuela's general strike continued for a third week. President Hugo Chavez ordered the army to try

to break the strike. The United States at first backed the opposition's demand for an early election but then said a referendum would do.

See article: The pressure mounts on Chavez

At the close of a bad year for **Latin America**, the UN said that the region's GDP shrank by 0.5% in 2002, and that income per head fell by 1.9%. But it said a modest recovery was under way.

See article: Latin America's annus horribilis

AP

More bombs in **Colombia**. A senator who is a close ally of President Alvaro Uribe was injured by a book bomb sent to his office. A bomb in a hotel restaurant in Bogota injured at least 23 people. Colombia's government blamed the FARC guerrillas.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Economist.com BUSINESS
PRINTABLE PAGE VIEW SPONSORED BY
About sponsorship

Business this week

Dec 19th 2002
From The Economist print edition

Bidding high

After flirting for some years, **Crédit Agricole** finally made a decisive move in the battle for control of **Crédit Lyonnais** with an agreed bid valued at *euro*19.5 billion ($20.1 billion). The high price may deter **BNP Paribas**, a rival for control of the French bank, from making a hostile counter-offer; it could instead seek to rekindle a tie-up with Société Générale, another French bank.

See article: Crédit Agricole bids for Crédit Lyonnais

Henning Schulte-Noelle resigned as chief executive of **Allianz**. He is said to be paying the price for the German insurance giant's disastrous takeover of Dresdner Bank last year.

See article: The boss of Allianz quits unexpectedly

Conseco became the third-largest American company to file for Chapter 11 bankruptcy protection—although its insurance unit is unaffected. The financial conglomerate's aggressive expansion in the 1990s left it with debts of over $6 billion. An attempted restructuring will include a sale of its troubled loans unit.

Gum fight

Britain's **Cadbury** saw off interest from rivals, including Kraft Foods and Nestlé, to acquire Adams, an American confectionery business owned by Pfizer. The $4.2 billion purchase, which includes such gum brands as Dentyne and Chiclets, is Cadbury's biggest ever, and puts the firm at the forefront of world gum makers.

McDonald's followed recent news of restaurant closures, lay-offs and the early departure of its chief executive, Jack Greenberg, by revealing that it would make its first ever loss in the fourth quarter. Jim Cantalupo, who becomes chief executive early next year, promised an aggressive review of McDonald's strategy.

Coca-Cola is to stop issuing quarterly and annual profit estimates. Instead it will tell investors about its long-term strategy and targets.

See article: In profit we trust

Monsanto became yet another company to shed its chief executive. Hendrik Verfaillie resigned after less than three years at the helm of the world's biggest crop-biotechnology firm. Monsanto has been struggling recently, partly because of consumer resistance to genetically modified foods.

Brief encounter

In a bid for a bit of extra coverage, **Phillips-Van Heusen**, an American shirt company, agreed to pay $430m for **Calvin Klein**, a company best known for its range of expensive underwear.

General Dynamics was reported to be planning to buy the defence business of **General Motors** for $1.1 billion. This would make the American defence contractor a leading maker of armoured vehicles in a

growing market.

A California judge overturned a $28 billion punitive-damages award made by a jury in a lower court against **Philip Morris** in a case brought by a smoker who contracted cancer. The judge cut the award a thousandfold, to $28m.

In the first big test of the **Digital Millennium Copyright Act**, an American law that criminalises any attempt to bypass the copy-protection barriers of digital content, a California jury acquitted ElcomSoft, a Russian software firm. Music companies, Hollywood studios and book publishers will not be pleased.

Kept waiting

The *euro*10.4 billion ($10.6 billion) takeover of **Ruhrgas**, a gas importer, by **E.ON** was blocked in a German court. The German utility will have to wait several months before the case goes to a higher court.

The auction of **Slavneft** fell just short of becoming Russia's biggest-ever privatisation, at $1.86 billion, after the China National Petroleum Corporation abruptly withdrew from the bidding for the oil firm. That saved the winners, Sibneft and Tyumen Oil, several hundred million dollars.

Gent rings off

Sir Christopher Gent resigned as chief executive of **Vodafone** and will leave next July. He was expected to stay for some years but will now leave his successor, Arun Sarin, an American telecoms executive, to handle the difficulties of introducing third-generation mobile-telephone services.

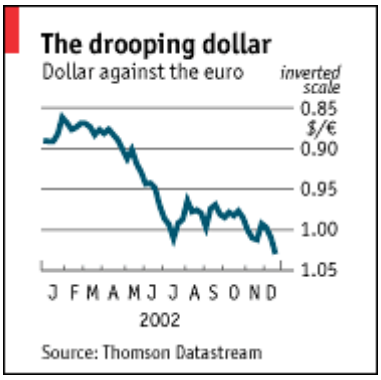
See article: A surprise change at Vodafone

Most of **WorldCom's** board resigned to give Michael Capellas, the firm's new boss, a fresh start as he attempts to rescue the company from bankruptcy protection after an accounting fraud involving many billions of dollars.

Electrolux, the world's leading household appliance maker, said that it would cut over 5,000 jobs, some 6% of the total, to reduce costs. The Swedish firm also said that it faced asbestos-related claims from 14,300 Americans.

Currency events

The **dollar** hit a three-year low against the euro and weakened against other big currencies after fears of a war against Iraq heightened. The price of oil rose and gold hit a five-and-a-half-year high.



Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Looking back, looking ahead

A year of surprises

Dec 19th 2002
From The Economist print edition

The past year, believe it or not, was surprisingly good. How about 2003?

WITH gifts, as with most sources of pleasure or pain, how we feel about them depends on what we were expecting. So it is in economics and politics. The past year has been full of dark shadows and gloomy moods, of fears of what might soon transpire. What is surely striking though, is how good things have been, not how bad. For 2002 has been a surprisingly good year. That even augurs well for 2003.

Certainly, there have been plenty of reasons for gloom. International terror marched murderously on, in Bali, Mombasa and elsewhere, and in a Moscow theatre became entangled with Russia's domestic battle over Chechnya. The conflict between Palestinians and Israelis was as deadly as ever. North Korea admitted that it has a secret uranium-enrichment programme, flouting the terms of its 1994 deal with America and its neighbours. Saddam Hussein denied that he has any programmes to develop weapons of mass destruction, making a war with the West look likelier. Meanwhile, the world economy grew rather sluggishly, if slightly less so than in 2001. In many countries, unemployment rose. Many stockmarkets had their third successive year of decline. Argentina, once the darling of “emerging” markets, collapsed and defaulted on its debts. And, mainly though not only in America, scandal after scandal showed that corporate accounts had been fiddled and that bosses and investment banks had taken greed and the abuse of power to new heights.

How, though, did this bad tale compare with what was expected? It was reasonable, and common, to expect a very bad year economically and a dangerous one politically. Relative to that, things have actually turned out quite well.

In our Christmas issue for 2001, our panel of economic forecasters were saying that the United States would grow by just 0.6% in 2002, the euro area would grow by 1.0% and Japan's economy would shrink by 0.8%. Figures for the full year are not yet in, but now the panel expects America to have turned in growth for 2002 of a surprisingly lusty 2.4%. Japan's economy is expected to have shrunk by just 0.5% and only the euro area has been worse than expected, with growth forecast to have been 0.7%. Britain is almost bang on the forecast, at 1.6% (versus 1.7%). Australia (3.6%) and Canada (3.4%) have done much better than the panel thought. And, on our emerging markets page, 17 of the countries listed have growth rates that are higher now than a year ago, and only seven have fared worse. That, remember, is despite Argentina's collapse.

Things have looked a lot bleaker to investors, with the world stockmarket index down by a fifth since December 31st 2001, and nearly half its record high. Yet the mismatch between financial markets and economies is one of the most pleasant surprises. In recent years, stockmarkets have suffered one of their biggest falls in history. Normally, when such crashes occur, they bring about widespread collateral damage in the economy because banks collapse and lending contracts. The great surprise of the crash of 2001-02 has been that this has not happened. Insurance companies, pension funds and individual investors have taken big losses, but banks have so far proven more resilient than in the past. Measured against profits, many stockmarkets still look dear by historical standards. Given the pressure to clean up accounts, and plausible fears of a widespread backlash against capitalism and its scandals, they too have been surprisingly resilient.

And world politics? This time last year, India and Pakistan looked on the brink of war, even of nuclear

war, a conflict that no longer looks likely. Despite America's patient and determined conduct in Afghanistan, a chorus of critics throughout 2002 denounced its adventurism, its bossiness, its recklessness, its destabilising behaviour. Such critics ought by now to feel pleasantly surprised. In military terms, the world's superpower has been notable by its inaction, not its action. Far from lashing out unilaterally against Saddam Hussein (or anyone else), it chose to work through the United Nations and won an extraordinary unanimous resolution in the Security Council as its reward. As for terror, al-Qaeda still exists, but its operations have been disrupted; and (fingers crossed) there have been no successful acts of mega-terrorism to match September 11th. That is a small mercy, but a mercy even so.

A world getting brighter

Risks galore can be cited for 2003. A war against Iraq looks probable, and it could send oil prices soaring, destabilise the Middle East and encourage terrorism. High debt levels among American companies and consumers could restrain investment and cramp demand. House prices could collapse in all sorts of places. Japan might again fail to reform its economy, and so might Germany. North Korea's unpredictable dictator, Kim Jong-Il, could, well, act unpredictably.

As we enter the new year, though, things actually look better than those risks imply. Wars can always go wrong, but with United Nations support, and hence acquiescence from the Arab neighbours, the one against Saddam is overwhelmingly likely to be short (eg, a couple of months) and successful. Oil prices may jump when it starts, but are likely to fall (perhaps sharply) once it is over. Debt is likely to mean that America (and thus its trading partners) does not grow as fast as in the late 1990s, but it could well exceed this year's figure, even so. Europe might not recover rapidly, but reforms now being discussed for its single currency promise to make monetary policy more accommodating to growth, and could even allow fiscal policy to offer more assistance. Overall, the world economy looks like growing faster than in 2002, and should disappoint only those who dream of new booms.

Even so, two big tasks deserve a mention. The first is that of pushing Israel and Palestine back to the negotiating table; it will be made easier by a successful war in Iraq, but also much more important. The second is that of building on the useful start made in 2002 of reviving overseas aid to poor countries, but doing so much more generously with regard to three of today's great scourges of the poor, AIDS, malaria and tuberculosis. A really determined effort to deal with those diseases would be the most pleasing surprise of 2003.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Iran

White knuckles

Dec 19th 2002
From The Economist print edition

Whatever happens in the short term, religious rule is doomed in Iran

EPA

FOR over five years a game of arm-wrestling has been taking place in Iran. One arm belongs to Ayatollah Ali Khamenei, the fierce conservative who is the country's supreme leader. The other belongs to Muhammad Khatami, a cleric of democratic outlook who is its elected president. Against a background of impassioned protest among students eager for change, and of rising concern among conservatives eager to prevent it, onlookers believe the game is drawing to a close. And the knuckles about to be smashed against the table, reckon some of them, are those of the reformist Mr Khatami.

This is not in fact a game. It is a struggle for power, whose outcome will affect both the life expectancy of the modern world's only theocracy and the degree of suspicion with which the world's only superpower views a country it already includes in the “axis of evil”. That suspicion has just been heightened by reports of new evidence, from satellite photographs, of nuclear installations in Iran. Although the government insists these are for electricity-generating purposes only, outsiders are sceptical: why should a country with more gas than any other but Russia want to generate nuclear power? To gain a weapon to put Iran on a more equal footing against its nuclear-armed neighbours seems a plausible answer.

In all likelihood, though, Mr Khatami and his fellow reformists would readily abandon Iran's nuclear ambitions, if they could. That is just one reason why a victory for the conservatives would be bleak news, though bleaker for Iranians than for anyone else: the religious hardliners would surely crack down on dissenters and stop, if not reverse, the cautious changes that Mr Khatami has managed to bring about. Two bolder measures he is promoting—to reduce the power of Iran's vengeful judges and to curb the Guardian Council, a group of reactionaries who veto laws and disqualify candidates they do not like—may yet precipitate Mr Khatami's resignation, and thus the dénouement some consider imminent.

Such a turn of events is indeed possible, though the picture is complicated by the disagreement over tactics among the conservatives themselves: the supreme leader is neither quite as hardline as some others nor quite as supreme as he would like (see article). It might even come about in a different way, perhaps in reaction to further student protests. These could well erupt if the death sentence passed on Hashem Aghajari, an academic who has dared to challenge the clerics' divine right to rule, should be confirmed. Repression would surely follow. With a high oil price to mitigate their unpopularity, the hardliners could stay in power for some time.

But not indefinitely. Iranians have grown used to voting. They have not grown used to theocracy, at least not to the inefficient and corrupt clerical rule that now grips Iran. Some conservatives would tolerate a less statist economy, and might seek a “Chinese” solution to their problems: hang on to power through political repression and economic liberalisation. But not all agree. Moreover, even with a high oil price, Iran could not create the jobs it needs without foreign investment, whose only realistic source could be Europe. But Europe will not invest if Mr Khatami's flickering torch of reform is snuffed out.

With two-thirds of the nation under the age of 30, the main task for any Iranian government is to create jobs. A muddled, reformist one under Mr Khatami would find it hard enough. An even nastier, more repressive version of the present one would find it impossible. Religious rule cannot last in Iran.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Drugs and developing countries

Pill paupers

Dec 19th 2002
From The Economist print edition

How to get cheaper drugs for poor countries

IT HAS been another week of long arguments at the World Trade Organisation over how to implement last year's Doha agreement on getting cheaper drugs for poor countries. The main dispute has been over how far to extend compulsory licensing, a tool that confers the right to manufacture patented drugs without the patent-holder's consent. Because America is holding out for a narrow ambit for any new provisions on compulsory licensing, restricting them to drugs for such diseases as AIDS, malaria and tuberculosis, it looks unlikely that a deal will be struck by the original target date of the end of this year. Yet even if agreement is reached at the eleventh hour, the entire argument misses a bigger point: that this is not the right long-term solution to the problem of getting cheaper drugs to poor countries.

Few of the world's poorest countries are in any position to use compulsory licensing as it stands. Because they lack not only the administrative and legal capacity but also any domestic drug industry to exploit it, they instead import generic drugs from countries such as India, which has a thriving trade in copycat drugs because it is not yet obliged to recognise patents. This will end by 2006, when India and most other developing countries have agreed to enforce drug patents.

Even if this is got round through expanded new provisions on compulsory licensing, generic manufacturers in India and elsewhere may no longer be prepared to invest in producing knock-offs of new drugs only for Africa and other poor places, when their more lucrative home markets are no longer open to cheap copies. Worse still, fears of compulsory licensing are sure to reduce the incentives for big drug firms to do research into cures for many of the diseases that most afflict poor countries. If they know that the profits from any drug they find will immediately be whittled away through compulsory licensing, they will be even less likely than they are now to look for the drugs in the first place.

There are better ways than compulsory licensing of balancing the interests of patients in poor countries with the need to maintain incentives for continued investment and development of new medicines. One idea, favoured by European governments, is differential pricing, under which drug firms would be urged to charge different prices in different markets, based on some measure of need and purchasing power. There have been attempts to introduce deeply discounted pricing for poor countries, but these are small efforts, restricted to a handful of anti-retroviral and anti-malarial medicines.

There are also two big problems that may stop differential pricing going much further. One is that drug companies worry about the risk of drugs that they sell cheaply in poor countries making their way back to rich-country markets. A second is that governments could exploit the fact that companies are selling drugs more cheaply in developing countries as an excuse to press firms to cut their prices at home. The result of either would be that drug companies might see their profits in rich-country markets undermined by their sales of drugs at cheaper prices in poor countries.

The ideal solution would be to stop searching for ingenious ways to get drug companies to bear the costs of selling essential drugs more cheaply to poor countries. Instead, rich-country governments, which have recognised the moral and economic imperative to enable poor countries to afford such drugs, should put up the necessary cash. They will have to be prepared to pay full prices, set high enough to ensure that drug companies have an incentive to develop new medicines, including those for typical poor-country ailments. That would be expensive, certainly: but it would be a better use of overseas-aid budgets than

any number of white-elephant infrastructure projects.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Democracy in Africa

Booting out the big men

Dec 19th 2002
From The Economist print edition

How term limits strengthen African democracy

Reuters

MOST Kenyans were not yet born when Daniel arap Moi became president in 1978, and few can remember a time when his party, KANU, was not in power. It is time, Kenyans feel, for a change. At a presidential and parliamentary election on December 27th, Mr Moi's chosen successor, Uhuru Kenyatta, is expected to be thrashed by Mwai Kibaki, the candidate of a (for once) united opposition.

Mr Moi's impending retirement is excellent news. Though far from the worst of Africa's "big men", he presided over a regime that was corrupt, incompetent and prepared, when the occasion demanded, to stir up ethnic antagonism in the full knowledge that this might lead to bloodshed, which it often did. The economy did not collapse under Mr Moi, but the average Kenyan income fell by a fifth.

Mr Moi is standing down because the constitution says he must. During the cold war, donors overlooked his abuses because he was anti-communist, which left him free to ban opposition parties and lock up dissidents. But after the Soviet Union fell, donors forced him to hold multi-party elections, and to adopt a constitution that allowed him to serve only two more five-year terms. The story was the same in several other African countries.

Once it was clear that Mr Moi would go, his lieutenants started jostling to succeed him. When Mr Kenyatta was picked, they deserted so fast that Mr Moi did not even have time to push his retirement package (six cars, seven drivers, three cooks, a mansion, and so on) through parliament.

The next government may be no better or cleaner; Mr Kibaki's party includes many crooks and KANU veterans. But it also has many young, savvy and even idealistic members, so there is at least a chance of reform.

This is what term limits offer: a chance of change. Elections, while essential, are not enough, given the power that incumbents often have to manipulate them, by using the state media to praise-sing, for example, or public money to buy votes. Term limits forced out Zambia's awful President Frederick Chiluba, and let in Ghana's reformist President John Kufuor. Term limits can be scrapped, as happened in Namibia and is threatened in Malawi. But constitutions are harder to change than ordinary laws, so they serve as a valuable check.

Term limits may give corrupt politicians an incentive to loot faster. But equally, the knowledge that they will have to retire could give them an incentive to stay clean, for fear of being prosecuted by their successors. This, of course, requires those successors actually to pursue their crooked predecessors, which few African governments have done.

Democracy sprouts, slowly

Despite what most outsiders think, Africa is becoming more democratic. Fifteen years ago, few African governments held proper elections. Now, almost all do. Few of these polls are unblemished, but they give ordinary Africans far more say in how they are governed than did the one-party states of the 1980s. Even Congo, long one of Africa's least democratic countries, is starting to look a bit better. This week, the

country's unelected president and rebels signed a pact that might just lead to elections in two years.

The trend is patchy, however. Eritrea and Zimbabwe have grown dramatically more despotic in recent years. Long-calm Côte d'Ivoire has suddenly exploded. Even from South Africa come troubling noises. President Thabo Mbeki this week hugged Robert Mugabe's most thuggish minister and praised Zimbabwe's ruling party as “our ally and fellow liberation movement”. Still, South Africa has term limits.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Letters

Dec 19th 2002
From The Economist print edition

The Economist, 25 St James's Street, London SW1A 1HG
FAX: 020 7839 2968 E-MAIL: letters@economist.com

Cold on Turkey

SIR – Europe can be understood in the sense of a steadily growing economic and political community called the European Union ("Turkey belongs in Europe", December 7th). In theory, any African or Middle Eastern country could join the EU but it would obviously no longer be "European" and would certainly not be a "union" with which ordinary people could identify and build a political allegiance towards. Politically and economically speaking, Europe has its limits.

Keith Crawford
Prague

SIR – You conclude that Turkey should be part of an enlarged EU and claim that the cultural and political differences ought to be bridged over time. You concede that there is a geographic barrier as Turkey is in Asia. A cursory examination of an atlas would reveal that both Europe and Anatolia are peninsulas off the large Eurasian continent. The fact that you highlight an artificial geographic distinction shows the great cultural divide that has separated Europeans from the rest of their continental neighbours. It is not the Urals that separate Asia from Europe; it is history and culture.

Luis Arenzana
Madrid

SIR – Turkey clearly does not belong in Europe. Indeed, no Muslim country does. The issue is not one of Turkish reforms failing to meet EU standards but of an incompatible and primitive culture serving as a Trojan horse for the rest of Islam's impoverished masses.

Karl Kettler
Flemington, New Jersey

SIR – The supreme irony of the picture accompanying your leader is that it shows the cathedral of St Sophia, stolen from the Greek Orthodox church by Turkey. It is the leading symbol of the mountainous abuses heaped upon that country's assorted and diverse minorities by its rulers.

Trevor Fenning
Jena, Germany

On the farm

SIR – Mexico has structural problems which require reforms but you take for granted that American agriculture is efficient and competitive—a sweeping generalisation made for purely political reasons ("Floundering in a tariff-free landscape", November 30th). American agriculture is efficient with respect to land (ie, yield per hectare) and labour. The picture is different when considering other resources: pesticides, herbicides, fertilisers, machinery and fuel. Hence the huge subsidy bill necessary to keep the system afloat. With respect to the environment, America's agricultural system could well turn out to be grossly inefficient as well.

Cut the subsidy and open the borders, and you will see the so-called inefficient Mexican farmers laughing all the way to the market.

B. Kotschoubey
Brussels

Wider accounting

SIR – There are limits to what financial statements alone can be expected to communicate to investors ("Corporate America's woes, continued", November 30th). Take risk or off-balance-sheet financing. What in America is called the management's discussion and analysis (MD&A) and in Britain operational and financial review (O&FR) is expressly designed to provide disclosure and explanation of matters that are simply too complex to be presented in financial statements or notes—governed as these are by less than perfect accounting standards.

In 2002, Britain's Accounting Standards Board and the Canadian Institute of Chartered Accountants both issued guidance on O&FR/MD&A to broaden the scope and rigour of what companies should disclose to complement their financial statements. Financial statements with MD&A or O&FR have the potential to become the core business-reporting package, integrating and communicating what investors really need to understand.

Alan Willis
Toronto

Poles apart?

SIR – Perhaps Europe's finance ministers would pay more attention to Grzegorz Kolodko, Poland's minister of finance, if he was able to face reality, criticism and his opponents with more than rhetoric (Letters, December 14th). He should admit that a deficit of 25% of the total budget is that of a banana republic not a would-be member of the EU. When proving a theory—"deficits encourage growth"—he should refer to facts, not forecasts. When discussing a future budget's impact on the economy, he should not refer to this year's growth.

I am also interested in Mr Kolodko's reference to transferable pollution rights. Is he suggesting that a budget-deficit margin could be purchased by a profligate country from a more frugal one? If so, I understand the Dutch reaction.

Dustin Du Cane
London

EUtopia?

SIR – As a think-tanker based in Brussels and London, I contest the view that fundamental European debate happens only in other national capitals because think-tanks in Brussels are too "soviet" to rock the boat (Charlemagne, December 7th). The British debate on Europe is worryingly narrow, lagging years behind the continent; London's political elites conduct repetitive debates that have changed little for ten years.

If you want challenging debate in Brussels, come to the next meeting of our pan-European think-tank network. However, if debate is only thought fundamental if it is Eurosceptic perhaps ours will not count as sharp, ideological or provocative.

Kirsty Hughes
Centre for European Policy Studies
Brussels

SIR – Of course there is a Brussels consensus and tendency to "go native". As a former expatriate in Brussels, I can testify that life for those working on EU affairs is usually rather relaxed and that the general sense of well-being this generates leads most people there to form a Utopian view of the Union.

Kate Spencer
London

"The British" abroad

SIR – Your article on the fire service highlights the key role of volunteering in many countries and the prestige that it carries ("How to run a fire service", November 30th). In Chile, which has had an all-volunteer fire service for 150 years, the British immigrant community had a distinguished record of volunteering, founding "British" fire-brigade companies in Valparaiso (which celebrated its centenary last year) and Santiago. Both companies are known as "the British" and proudly display the British flag. We need to tap this type of community spirit back home in Britain.

Brian Walling
London

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

The Republican Party

Mississippi burning

Dec 19th 2002 | WASHINGTON, DC
From The Economist print edition

AP

How the Trent Lott affair went from personal problem to political crisis

ON DECEMBER 5th, when Trent Lott, the Republican leader of the Senate, made his now-notorious assertion that America would have been better off if the segregationist Strom Thurmond had won the 1948 election, few people thought it a hanging offence. Reporters covering Mr Thurmond's 100th birthday party did not mention Mr Lott (the *Washington Post* an honourable exception). Tom Daschle, the Democrats' leader in the Senate, interpreted the comments as a case of garbled imprecision made off-the-cuff.

Now Mr Lott is fighting for his political life. On January 6th, unless he resigns beforehand, his Republican colleagues in the Senate will meet to decide whether to keep him as leader. So swift and total has been his reversal of fortune since his party's mid-term triumph that even he does not seem to understand what happened.

The tempest that has swept him up has been driven by four things. First, it soon transpired that Mr Lott's comments were not the aberration of a man committed to the cause of racial equality, as he claimed. Rather, they were part of a pattern of speaking and voting against some of the civil-rights agenda. This was a man who began his political career working for one of America's more virulent segregationists, who voted twice against the extension of the voting-rights act, who opposed the establishment of a federal holiday for Martin Luther King and who, more recently, has been associated with a white supremacist group called the Council of Conservative Citizens.

The revelation of this record may well have offended many Americans. More than half think he should resign his leadership. But it is not—it must be said—very different from the records of other southern politicians (though as Senate leader, he might be held to a higher standard). Had this been all, he might have escaped.

Hence the importance of the second thing: the politics of race may be changing in America. The mainstream media was initially blind to his remarks perhaps because it is used to such comments. But the “blogosphere”—websites of opinion and news, first known as weblogs—denounced the remarks vigorously, and would not let up, finally forcing others to take notice.

Many online critics—Glenn Reynolds, Andrew Sullivan and the *National Review* online—are conservatives.

They speak for a new breed of Republicans unwilling, as Mr Sullivan put it, to “wrap [segregation] in the gauze of collective amnesia, and refer to it obliquely in friendly contexts as a political signal to [the Republican] base.” Had Mr Lott faced criticism only from Democrats, he might have shrugged it off as merely partisan. Attacks from the right on issues of principle were more damaging.

Third, Mr Lott's apologies offended against a basic law of politics: when in a hole, stop digging. He has so far offered no fewer than five explanations. Each has added some new cause for dissatisfaction. Last weekend for instance (in apology number four) he again claimed that he had been improvising, but he finally admitted that segregation was a “stain on the nation's soul”. It is not clear whether this comment would have been enough had he made it right away. But to say it so late invited the riposte that he should have said it long before—preferably before Mr Thurmond turned 100.

Then, this week (in apology number five) he went on Black Entertainment Television. There he implausibly claimed that, in supporting Mr Thurmond, he was backing the senator's stance on communism and the budget, not race. Even more implausibly he revealed himself as a hitherto-unsuspected supporter of affirmative action. “Across the board?” asked his stunned host. “Absolutely,” replied the man who voted against most affirmative-action proposals in Congress. Critics lost no time in claiming Mr Lott will say anything to stay in power.

Lastly, and most important, Mr Lott seems to have lost the confidence of the president. On December 12th Mr Bush gave the Senate leader an extraordinary public dressing down: “Recent comments by Senator Lott do not reflect the spirit of our country...Every day our nation was segregated was a day that America was unfaithful to our founding ideals.” Worse, he did not say that he wanted Mr Lott to stay on. Instead, unnamed White House sources started revealing that Mr Bush would not work to save Mr Lott from defeat in a Senate leadership contest. Mr Bush cannot call for Mr Lott's resignation—to do so would offend against the separation of powers. But he has made it clear that he sees Mr Lott's comments as wrong, damaging to the Republican Party and an obstacle to his policies on affirmative action and school choice.

Either Mr Lott now goes quietly, or he is ejected in a bloody contest, or, worst of all, he wins his fight, and the split between Senate leadership and White House becomes entrenched. Which is most likely?

Mr Lott himself seems determined to tough it out. He has openly condemned the White House whisperers and insisted that he has enough votes to win any contest. The fateful meeting of Republican senators will not take place for three weeks, by which time (Mr Lott must hope) the furore may have quietened. Encouragingly, John Lewis, a black Democratic congressman from Georgia, has said Mr Lott should be forgiven. Mr Lewis, who was beaten up by white thugs in the 1960s, is one of the heroes of the civil-rights struggle and his clemency should count for something. Meanwhile, only three senators had called openly for a leadership contest by the time *The Economist* went to press: Don Nickles, a long-time critic, Jim Talent, who was elected to the Senate in November, and Lincoln Chafee, a moderate (who said that Mr Lott should go).

Double, double, Lotta trouble

Against that, only a handful of senators have said they want Mr Lott to stay or that they think he can, in fact, hold on. Rather, senators have retreated into opacity or silence. But comments like “we need to get this behind us” or “he needs a fair opportunity to hear his colleagues and ask for support” hardly speak of deep loyalty to the beleaguered senator. In these circumstances, behind-the-scenes lobbying from the White House may prove decisive.

In a possible contest, Mr Bush seems to back Bill Frist, a telegenic surgeon turned senator from Tennessee who not only spends his holidays working for nothing in field hospitals in Sudan (his medical background will help in forthcoming battles over Medicare reform) but has also just masterminded the Republicans' recapture of the Senate in the mid-term elections. If senators were to back Mr Lott rather than Mr Frist now, they would risk appearing to associate themselves with Mr Lott's civil-rights record and to disassociate themselves from the president's hints.

In other words, politically the most likely outcome is that Mr Lott will go. His allies have even threatened that he might resign his Senate seat as well—which would return the balance of the Senate to 50:50 because the governor of Mississippi, a Democrat, could then appoint a replacement (Mike Espy, Bill Clinton's agriculture secretary, is a favourite). But to do that would burn all Mr Lott's bridges with his party. More likely, if he wanted to leave in protest, he could stay on for a while, and resign to run next

year for governor of his state, where he remains popular.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Health insurance

In sickness and in health

Dec 19th 2002
From The Economist print edition

Reform is in the air for health insurance, though it still won't look like Europe's

THOSE Europeans who like to claim that America is an uncivilised place sooner or later cite its health-care system. One in seven people in the world's richest country does not have health insurance, that staple of the European welfare state. Now the uninsured are becoming a contentious political issue inside America—for the first time since “Hillarycare”, the Clintons' ill-fated attempt to overhaul America's health-care system in 1993-94.

Producing some kind of health-care policy before the 2004 election is one of George Bush's priorities, particularly now that he can no longer blame a Democratic Congress for standing in his way. So far his main focus has been on providing prescription-drug benefits to old people. But the uninsured are a bigger challenge.

Contrary to the stories peddled in Europe, as well as by some Democrats, the uninsured are not some wretched underclass. The poorest Americans, as well as the disabled and the elderly, are insured by the government's Medicare and Medicaid programmes, which together cover one in four people. Most other Americans are covered by employer-sponsored plans. The 41.2m people who had no health insurance in 2001—and the number is rising—are, as Robert Moffit of the Heritage Foundation points out, a mixed bunch.

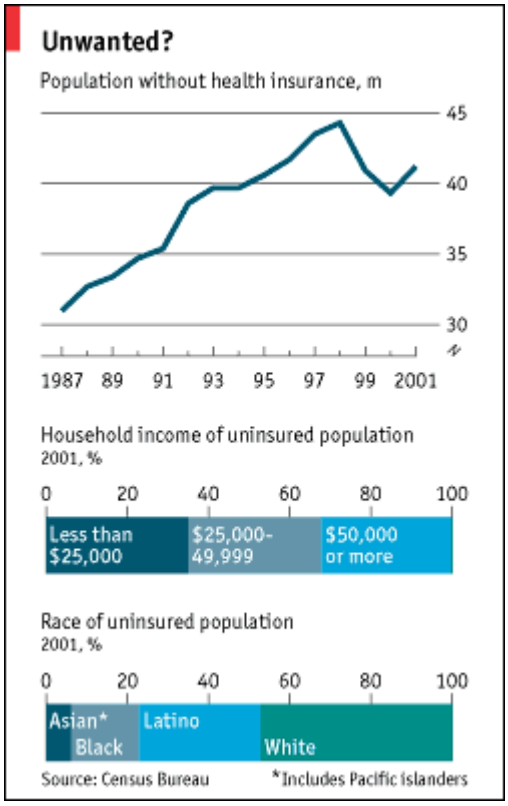
They are mostly middle-class. Three-quarters of those of working age have a job. A third live in households with more than $50,000 in annual income. Two-thirds are under the age of 35 (college students are often uninsured). Around half go without insurance for less than six months. The typical uninsured household is a youngish married couple, with the husband working for a small firm that does not provide health insurance.

Most of the uninsured are in that position by choice—albeit a slightly forced one. One in four has access to coverage at work, but fails to take it up, either because the premiums are too high (usually they amount to a couple of hundred dollars a month), or because they would rather spend their disposable income elsewhere. Many of those who are not covered at work or are between jobs could afford to buy policies themselves (though they are even more expensive than at work, where risks are pooled), but do not. Young and healthy, they take a rational bet.

There is, however, little reason for complacency. Many of the newly uninsured fall into that category because of redundancy: losing your job often means losing health-care cover. Employers have also gradually been changing their insurance plans, shifting ever more of their ever-rising health-care costs on to employees. And treatment of the uninsured costs more, too, since an uninsured ill person will often leave an illness untreated until it becomes an emergency, at which point federal law requires hospitals to care for them.

An even bigger problem is the uneven structure of health insurance, which, since the second world war—when health insurance costs were exempted from wage controls—has been designed to be routed through big employers. People who get their

insurance through their employer enjoy a tax break, which costs the government $141 billion a year. Poorer workers who want to buy health insurance on their own must pay for it out of after-tax income. Mr Moffit calls this “massive discrimination against the poor”.



Remembering Hillary

When the Clinton administration tried to create a new health-care system, Republicans portrayed it as a looming Frankenstein bureaucracy that would destroy most Americans' high quality of care and usher in the horrors of waiting-lists. This time, it may be a more moderate affair.

So far there have been relatively few voices raised in support of a “single-payer” plan, similar to those in Canada or Britain. Al Gore's was one, but he has now dropped out of the presidential reckoning (see article). In November, a referendum to bring a single-payer system to Oregon failed by a margin of four to one.

For their part, Republicans are likely to continue their push for tax credits and rebates to help poor people buy insurance policies from private insurers. One proposal, made last year, is to offer tax rebates of up to $3,000 a year for poor households that pay for insurance out of their own pockets. The Democrats, though now outnumbered in both House and Senate, will try to steer the poor towards the dismal Medicaid system. Last year, when they controlled the Senate, they twice rejected any use of private insurers to help those without coverage.

The most interesting idea is a proposal to require all Americans to buy health insurance. Most of the working poor, armed with tax credits, would go to private insurers, but the truly poor could tap government-sponsored risk pools. Senator John Breaux of Louisiana, a Democrat, has mooted one version of this. After all, in nearly every state of this car-crazy country, you can hardly take to the highway without proof of insurance. Perhaps Americans will decide that what is good for the road is also good for their health.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Surveillance

Biter bit

Dec 19th 2002 | SAN FRANCISCO
From The Economist print edition

Hackers have given John Poindexter a taste of his own medicine

AS HE sat, wreathed in pipe smoke, at the Iran-contra hearings in 1987, there was no one more Sphinx-like or inscrutable than John Poindexter. Yet the admiral's efforts to assist the siphoning of illegal funds to the Nicaraguan contras (exposed in private computer messages that he thought he had deleted) brought him into the spotlight; and now it has happened again.

Mr Poindexter, after a decade in the private sector and the overturning of his 1990 conviction for conspiracy, is now head of the Information Awareness Office in the Defence Advanced Research Projects Agency. His brief is to mine large databases—government records, financial accounts, travel documents, medical files, telephone and e-mail logs—to look for suspicious patterns. Cross-tracking of this sort has not previously been feasible or legal, but firms such as Syntek Technologies, Mr Poindexter's most recent employer, have devised the necessary software, and the Homeland Security Act signed last month began the process of lowering the legal barriers.

Alas for Mr Poindexter, his secret schemes have once again drawn a spotlight. Matt Smith, a journalist in San Francisco who believes such surveillance threatens civil liberties, decided to telephone Mr Poindexter at home to ask him about it. The interview did not come to much—Mr Smith got through only to Mrs Poindexter—but in his column for *SF Weekly* Mr Smith printed the Poindexters' home telephone number and urged his readers to call and ask their own questions, such as “why he needs our toll-booth records”, and what videos he was watching.

Two weeks later, the phone number has been disconnected, but hackers have posted satellite photographs of Mr Poindexter's house (“nestled beside a Maryland golf course”) on the web, along with much arcane detail about his telephone service and odds and ends of neighbourhood gossip. It is not exactly total awareness but, for Mr Poindexter, it comes far too close to dispersing those useful clouds of smoke.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

New York labour disputes

A happy ending

Dec 19th 2002 | NEW YORK
From The Economist print edition

And Mayor Bloomberg didn't need his bike after all

Get article background

AS THE news spread, there was a run on bicycles, sleeping bags and hotel rooms. Freezing rains and gusting winds increased everybody's gloom. Faced with a transport workers' strike, everyone had a contingency plan, and many had a back-up scheme if that didn't work.

New York had been there before. The winter transport strike of 1966 strangled the city and poisoned subsequent negotiations with other unions, which had deduced that chaos worked. This time the transport workers were still bitter from their last pay talks in 1999, which had been followed by an unofficial slowdown, sabotage on the tracks and the election of a new, militant leadership with loud, large demands. To add to the union's anger, four transport workers had died over the past two months; this was an unsafe job, it said. And, like every other city and state entity, the Metropolitan Transit Authority, which controls the city's buses and subways, was in effect broke. Demands were high and there was nothing to give.

Came the dawn. The first sign of a deal appeared right on the strike deadline, at midnight on December 15th, when the union agreed to talk rather than walk. Then, hours later, it was all over. Union members agreed to receive annual pay increases of under 3%, far below what they had demanded and other unions had recently received. Odder still, everyone seemed happy.

What went right? The city's government had used a careful mixture of reason, threats and moral coaxing. Having raised taxes several weeks ago, Mayor Michael Bloomberg could plausibly argue that the city was broke and its people were already paying more at a time when their own jobs and salaries were being cut. On December 13th the city got an injunction from a local court that could have devastated the union's finances, and made it clear it was willing to use it. Every city official, from the mayor down, emphasised how dangerous to the city a strike would be. New Yorkers—often sympathetic to unions in the past—were convinced.

Above all, in a demonstration of serious intent and impressive management, the mayor's people unveiled some extraordinarily detailed contingency plans: new services such as ferries, suspension of laws banning vehicles without special licences from picking up passengers, and the reorganisation of routes run by private bus lines and railroads. Mr Bloomberg bought a bicycle, said he would ride to work, and encouraged everyone to do likewise. The mayor left no doubt that the city was prepared, and willing, to take a strike.

He and other officials were also careful not to personalise the strike, even when provoked. The talks, they said, were really just about keeping the city going during a difficult time. Most of the union's members seemed to accept this. In the aftermath of September 11th, and in the midst of a recession, Mr Bloomberg's careful and non-ideological approach may have tapped into a sentiment shared by both commuters and transport workers: that the city has to be treated gently.

And indeed there has been, in general, a flurry of heartening signs. On December 17th the mayor held a press conference to discuss the falling crime rate; the next day the city unveiled new plans for the reconstruction of lower Manhattan. For a moment, even cynical New Yorkers could be forgiven for thinking there may be a brighter future for their city.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Lexington

After Al

Dec 19th 2002
From The Economist print edition

A queue of Democrats wants to have a go at George Bush

YOU have to hand it to Al Gore. He may not be much good at entrances, but when it comes to exits he's a master. His concession speech after the Florida recount in the 2000 presidential election ("It's time for me to go") was better than anything he produced during the campaign. And his announcement that he will not run for election in 2004 was better still.

On December 14th Mr Gore put in a rollicking performance as the host of "Saturday Night Live", an American comedy institution. He was as fluid and funny as he is generally stiff and serious. "The good news about not being president is that I have my weekends free," he announced in the opening monologue. "The bad news is that my weekdays are also free." In one sketch he played the part of the beleaguered Senate majority leader, Trent Lott. He didn't support Strom Thurmond because the centenarian was a segregationist, he explained. He supported him because he believed that blacks and whites should be kept apart. He apologised if his remarks had seemed racially insensitive: "I meant no disrespect to any white people."

Next morning, Mr Gore abruptly took himself out of the 2004 presidential race. He had spent the previous few months acting as if he were running for office—making speeches on the economy and Iraq, promoting two books he and his wife have just written, rushing in and out of television studios, visiting cold, bleak bits of the country. Now he is returning to civilised life.

Why did the Democrats' front-runner bow out of the race? And why did a man who has run for either the presidency or the vice-presidency in four successive races suddenly decide that enough was enough? The more one sees of the former vice-president, the harder it is to fathom him. How can a man have such a perfect touch on a comedy show but come across like a weirdo in a presidential debate? Why would a man with such sensible middle-of-the-road credentials reinvent himself as a business-bashing populist?

How can a man have such a perfect touch on a comedy show but come across like a weirdo in a presidential debate?

Mr Gore clearly sensed something unpleasant in the wind. The party's kingmakers were determined to prevent the 2004 election campaign turning into a replay of 2000. Mr Gore's two books barely made it into the top thousand on Amazon.com. He found it harder than he expected to open Democratic money-bags. Even his campaign manager, Donna Brazile, who was responsible for the spectacular turnout of black voters in his

favour in 2000, seemed to abandon him.

The fact is that Mr Gore's departure is a godsend to the Democrats, and yet another blow to a White House reeling from the Trent Lott affair. Karl Rove, Mr Bush's chief strategist, was spoiling for a rematch with a man he has already beaten, a man who has had more identities than Madonna and who has abandoned Clintonism for a fuzzy populism.

The immediate effect may be a little messy. If Mr Gore had stayed, the race would have been all about giant-killing. John Kerry, the Democratic senator from Massachusetts who announced his candidacy a little over a week ago, was probably best placed to land the killer blow. Now everything is up in the air. Expect a dozen or more leading Democrats to announce their names in the next few weeks, including John Edwards, Dick Gephardt, Joe Lieberman (now released from his pledge not to run against Mr Gore) and perhaps Tom Daschle. And then expect them to spend months jostling with each other.

Intellectually, too, things could get more fractious. Mr Lieberman's entry into the race is likely to make the Democrats at last engage in a real debate about their position on the war against terror. So far most of them have pussyfooted around issues like Iraq. The typical candidate offers a bland statement of support for the president's aims (which goes down well with ordinary Americans), then quickly picks a couple of holes in his actual plans (which pleases liberals), before changing the subject to something more congenial, such as free pills for pensioners.

Mr Lieberman is the exception: a foreign-policy heavyweight who has relentlessly pushed for tough action against Saddam Hussein and offered relatively detailed ways of doing it. This may not help him in the primaries, where Democratic voters tend to be more leftish. But his presence may push the other candidates into producing something more than evasive banalities.

Yes, a Democrat could win

So expect a lot of rowing and a lot of elbowing. But don't mistake confusion and discord for weakness. The remarkable thing, given Mr Bush's strong showing in the polls and his history-defying performance in the mid-term elections, is how many Democrats want to have a go at him. In 1992 most leading Democrats shied away from taking on the victor of the Gulf war, leaving the field to long-shots like a governor from Arkansas.

This suggests that the Democrats have learned a lesson from 1992: that political fortunes can change in the blink of an eye. But it also suggests something more: that they regard Mr Bush as a fundamentally weak president who has been rendered artificially strong by an extraordinary chain of events. They still consider him an accidental president, a man who made it into the White House only because Mr Gore ran a lousy campaign. They see his sabre-rattling against Iraq as a potentially damaging distraction from the popular war on terrorism. And they suspect the sour economy could send his opinion-poll ratings into free fall.

The sage of Baltimore, H.L. Mencken, thought that all unsuccessful candidates for the presidency should “be quietly hanged, lest the sight of their grief have a very evil effect upon the young”. In fact, Richard Nixon sat out the 1964 election but won the 1968 one. Ronald Reagan came back from defeats in 1968 and 1976 to triumph in 1980. Mr Gore may yet have a resurrection in 2008. But for the moment his decision to jump off the presidential treadmill seems to have left him a liberated man.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Latin America

Praying for a happier new year

Dec 19th 2002
From The Economist print edition

AP

Old vulnerabilities and unfortunate coincidences combined to produce an awful year for the region

A YEAR ago this week, after two days of rioting in Buenos Aires, Fernando de la Rua resigned as Argentina's president. The following ten days saw four more presidents, a debt default and devaluation. The long-feared collapse of Argentina's currency board, which had pegged the peso at par to the dollar for a decade, ushered in a dreadful year for Latin America.

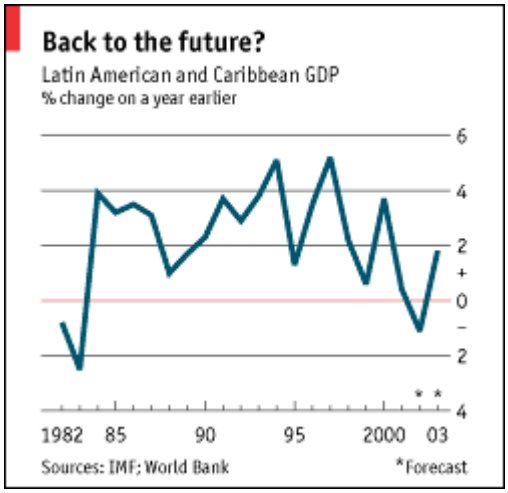
According to the World Bank, the region's GDP will shrink by 1.1% this year—the worst performance since 1983. In a report issued on December 18th, the UN Economic Commission for Latin America and the Caribbean (ECLAC), using a slightly different methodology, estimated the shrinkage this year at 0.5%, after growth of just 0.4% in 2001. After eight years of decline, inflation, that old Latin bugbear, has edged up. Mediocre economic performance means that income per head in the region has declined by 0.3% per year since 1998. ECLAC says that Latin America has suffered a “lost half-decade”, harking back to the “lost decade” unleashed by Mexico's 1982 debt default.

Stagnation has increased poverty, wiping out some of the gains of the 1990s. Open unemployment has risen to 9.1%, higher even than in the 1980s. Some 44% of Latin Americans are now poor, and 20% suffer extreme poverty, says ECLAC. These woes have brought discontent and political turbulence, raising questions about the health of Latin democracy.

Are the difficulties just cyclical? Or does Latin America suffer deeper structural problems—despite a decade or more of liberal reforms? Will 2003 bring recovery, or does Latin America risk being left behind as globalisation marches forward elsewhere?

Certainly, there is a cyclical element to the economic woe. But Latin America's dependence on raw-materials exports and inflows of foreign capital makes it more vulnerable than many Asian countries when the world economy slows or investors grow shy of risk. Currency depreciations make debts more expensive, undermining investor confidence in a vicious circle that this year saw a net outflow of capital from the region of $39 billion, according to ECLAC. Another structural element concerns the public finances. Failure to run budget surpluses during good times means that most countries have to tighten their belts during

recessions.



Across the region, however, the differences are as important as the similarities. What made this year so difficult was the coincidence that Argentina's default was followed closely by a presidential election in Brazil whose result was uncertain for months. Elsewhere, there were entirely different problems: political conflict steered Venezuela's economy to disaster (down perhaps 10%); drug-financed guerrillas and paramilitaries continued to slow Colombia's economic recovery.

Mexico survived the year largely untouched, its economic fortunes depending on those of the United States. Peru grew sturdily at around 4.5%. And Chile clinched bilateral trade deals with the EU and the United States.

The good news is that democracy is holding up

Not so long ago, economic turmoil would have brought the army into power. The good news is that democracy is holding up—though it is under strain in some countries, notably Venezuela (see article). There has been much talk of a shift to the left. But the trend is far more variegated than that, with a congregation in the confused centre of populist rhetoric and creeping regulation but also of a reconciliation with the market and fiscal responsibility by former leftist firebrands.

So what are the prospects for 2003? A weak recovery is already under way. Most forecasts are that the region will see modest growth of around 2% in 2003. But that is nowhere near enough to make a dent in poverty. Whether it can be bettered, or even attained, turns particularly on developments in four countries.

In **Brazil**, Luiz Inacio Lula da Silva of the left-wing Workers' Party has done much to reassure investors since his October election victory. He has named moderate economic officials. But although the risk premium on Brazil's bonds has fallen, it remains at a level that would make the public debt unsustainable in the medium term. A burst of inflation prompted the central bank to raise interest rates this week by three percentage points (to 25%). Regaining stability requires swift action after Mr da Silva takes office on January 1st.

In **Mexico**, victory in a mid-term election in July for President Vicente Fox's party would help his plans for economic liberalisation. Depending on the result of the current power struggle, **Venezuela** could move towards a leftist quasi-dictatorship, or elect a new government which might be committed to reform.

And **Argentina**? The year ends with Argentines much poorer, and seemingly little closer to the agreement with the IMF that has eluded President Eduardo Duhalde for months. The government has stopped debt repayments to the World Bank. But there are some gleams of hope. Although GDP has shrunk by 11% this year, the economy has found a precarious stability. The government has lifted the freeze on bank deposits that triggered Mr de la Rua's fall. Further progress probably depends on the outcome of an election in April and, sadly, none of the leading candidates inspires much confidence in Argentines or investors. But after this ghastly year, Latin Americans will hope that things can only get better.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

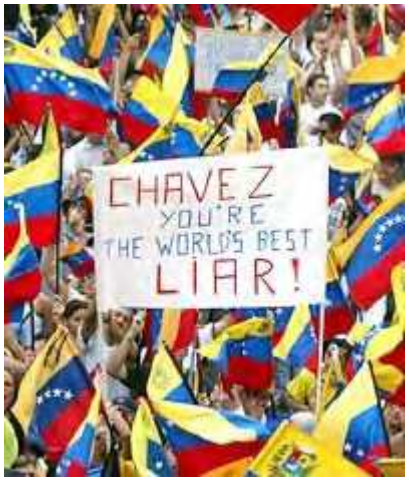
Venezuela's stand-off

Trench warfare

Dec 19th 2002 | CARACAS
From The Economist print edition

The president orders the army to break a general strike

AS IT ground on through a third week, Venezuela's general strike turned into a war of attrition between the country's opposition and Hugo Chavez, its leftist president. On the one hand, the strike, backed by business as well as labour, showed no sign of weakening. The huge state oil firm is producing just 10% of its normal output—and that only because the strikers chose to supply enough fuel to keep the lights on and protect heavy industries whose machines would be damaged by a shutdown. Venezuela is losing around $50m a day in oil exports alone.



A breakdown of trust

On the other hand, Mr Chavez, a former army officer who retains some passionate supporters, especially among the poor, shows no sign of agreeing to the opposition's demand for a vote of some kind by March 2003. He insists this would be unconstitutional. Although he would resign if he realised he had failed, he told foreign journalists, he would never do so “with a gun to my head”. (In fact it was military pressure that ousted him briefly from the presidency in April.)

Yet even as he brandishes the 1999 constitution which he fathered, Mr Chavez is also violating it. On December 15th, he instructed military commanders to disregard any rulings by judges that contradicted his own decrees. This was aimed at any challenge to his orders that troops should seize strikebound oil tankers. But they failed to get them moving again. Mr Chavez has also ordered the army to commandeer privately-owned ships, trucks and aircraft to distribute fuel and food. It was not clear whether he would comply with a Supreme Court ruling on December 19th ordering him to hand back control of the Caracas police force (which he seized last month) to the city's opposition mayor.

So far, the army chiefs who hold the key commands have remained loyal to Mr Chavez. In his seasonal greeting to the nation, General Julio Garcia Montoya, the army commander, echoed the president's description of the strikers as unpatriotic saboteurs. But Mr Chavez's latest measures could test the army's loyalty.

Mr Chavez did get one crumb of comfort. On December 13th, the Bush administration called for early elections, as the opposition wants, only to backtrack three days later. That seemed to point to confusion within the administration over Venezuela (the senior post for Latin America at the State Department has been vacant since last month). The United States has now fallen in behind a vaguer resolution of the Organisation of American States. This backs stalled talks aimed at bringing about an “electoral solution” (a formula which could involve a referendum).

But barring a crumbling of resolve on either side, that solution looks as elusive as ever. Government “moderates” have so far failed to materialise. For the opposition, which fears that Mr Chavez is bent on using democracy to establish a dictatorship, there would seem to be no going back. As European generals said in 1914: no doubt it will all be over by Christmas.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Celebrity spats

Dialectics at dawn

Dec 19th 2002 | MEXICO CITY
From The Economist print edition

Subcomandante Marcos challenges Baltasar Garzon

IT IS hard to think of two more glamorous icons of the global left, nor two more assiduous self-publicists, than Subcomandante Marcos, the leader of Mexico's Zapatista rebels, and Baltasar Garzon, Spain's crusading judge. Now, seemingly inspired by a shared genius for self-parody, they have challenged each other to a public debate.

Mr Garzon became a hero to the left for his attempt to bring General Augusto Pinochet, Chile's former dictator, to trial on human-rights charges. But he has been just as active in pursuing the Basque terrorists of ETA. Recently, he helped Spain's government to shut down Batasuna, ETA's political wing. The Zapatistas proclaim their solidarity with the cause of Basque independence. So Mr Garzon's actions have prompted Marcos, the balaclava-clad, pipe-smoking Zapatista leader who has positioned himself as the Che Guevara of the Internet age with poetic diatribes against capitalism, to denounce the judge as a “grotesque clown”.

Mr Garzon, his progressive credentials under seeming challenge, shot back an angry reply. He accused Marcos of supporting ETA's terrorism, and challenged him to debate the morality of political resistance.

Last week, Marcos agreed, outlining his terms. He would meet Mr Garzon in Lanzarote, one of Spain's Canary Islands, in April. He asked for a jury of seven people (with characteristically cunning generosity, he would pick three and his opponent could bring four).

The prize? The *subcomandante* has promised to remove his balaclava in public for the first time should he lose; if he wins, he wants Mr Garzon to supply the Zapatistas with free legal advice. Were the debate to go ahead—post September 11th, a hooded Marcos may find it hard to board a plane—Marcos might find little support. Many of his friends among Mexico's chattering classes are starting to question his sanity.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Indian politics

The nationalists' dark victory

Dec 19th 2002 | AHMEDABAD AND DELHI
From The Economist print edition

A Hindu fundamentalist, Narendra Modi (pictured), triumphs in Gujarat

Reuters

Get article background

THE closer you look, the worse it seems. It is bad enough that a hate-filled campaign playing on communal fears propelled Hindu nationalists to a landslide election victory in the western state of Gujarat, despite a bloody pogrom against the Muslim minority earlier this year. More distressing still is the compelling evidence that the violence was actually a vote-winner for the Bharatiya Janata Party (BJP) and its chief minister in Gujarat, Narendra Modi. The implications are worrying both for the tenor of India's domestic politics, and for its relations with the outside world, especially its neighbour and fellow nuclear power, Pakistan.

The results, announced on December 15th, showed that the BJP, which leads the national coalition government, had increased its share of the 182 seats in the state legislature from 117 to 126, against 51 for Congress, the main opposition. It achieved this despite the anti-incumbency vote so important in Indian elections. (This had not vanished altogether: 12 BJP ministers lost their seats.) Almost all the BJP gains were made in riot-hit constituencies: the party won 53 out of 65 such seats with big majorities, a 19% margin of victory, compared with 5% elsewhere.

Yet the BJP had been steadily losing control of state governments ever since 1999. In Gujarat, too, it had lost a string of by-elections. It was vulnerable on many counts: water shortages, rising unemployment and the collapse of co-operative banks with some 2m depositors.

The turning-point came on February 27th. A train carrying Hindu activists back from Ayodhya, where they were campaigning for the construction of a temple on a disputed site, was attacked in the town of Godhra. A carriage was set on fire, and 58 people died. Muslims were blamed, and punished. More than 2,000 people died. By the time of the election, 220,000 people displaced by the riots were still away from home. Few areas are now integrated across communal lines. Even before this year's troubles, Gujarat was becoming a state of ghettos.

Mr Modi and his government were accused of having done too little to stem the bloodshed, and even of having encouraged it. He became a hate figure for India's English-language press and abroad. The feelings were mutual, and Mr Modi's election campaign unabashedly harped on Godhra, and on Pakistani-sponsored “terrorism”. As a result of such terrorism, it was claimed, Hindus in Gujarat were in danger from Muslims. A mere 9% of Gujarat's 50m people are Muslim.

That this tactic has paid off so handsomely is a triumph for Mr Modi and for his hardline brand of Hindutva nationalism. After the election, dejected liberals in Gujarat were blaming themselves and the Congress party for their failure to counter the BJP strategy. Successful efforts to persuade Muslims to vote early were said to have backfired when television showed pictures of Muslims streaming into polling stations. The imam of a famous mosque was criticised for calling on Muslims to vote for Congress, which BJP turned to its own advantage.

In fact, apparently taking the Muslim vote for granted, Congress fielded only five Muslim candidates, and made its own soft Hindutva pitch for the nationalist vote. The party was disorganised and divided, and fielded too many candidates better known for their parentage than their local knowledge. In an election turned by Mr Modi into a contest between Gujaratis and the rest, it did not help that the Congress party

leader, Sonia Gandhi, was born in Italy. But the opposition's shortcomings cannot disguise the success of Mr Modi's divisive campaign. Congress and the BJP now have to grapple with the implications for nine forthcoming state elections and a general election, due in 2004.

Both Atal Behari Vajpayee, the prime minister, a BJP moderate, and his hardline deputy, L.K. Advani, have said the result will change neither national policy nor electoral strategy. They may mean it. The BJP rules in coalition with 20 or so other parties, some of which might not tolerate an abrupt rightward lurch. And Gujarat is recognised as being a one-off, both in its history of communal violence, and in the local strength of the BJP and its notionally apolitical sister organisations, such as the World Hindu Council (the Vishwa Hindu Parishad, or VHP), which played a big part in mobilising voters. In other states, where the BJP is not in power, the police are likely to be far more effective in nipping communal violence in the bud.

That will not stop Hindu extremists from trying to replicate their success. Prawin Togadia, a VHP leader, now forecasts an Indian Hindu state within two years. And the success in Gujarat is bound to have an impact on relations with Pakistan, which remain tense and hostile. On December 16th, a court in Delhi sentenced three Indians to death for conspiring with Pakistan in an attack on India's Parliament a year ago, in which nine people were killed. Even if Mr Vajpayee wanted to, he would find it hard to seek rapprochement with Pakistan in the new climate. At home, Hindutva causes will loom large again.

Mushirul Hasan, of Delhi's Jamia Millia Islamia university, argues that the elections were not a contest between Muslims and Hindus but between bigotry and modernity. This points to a less obvious consequence of Mr Modi's triumph: a subtle shifting of the terms of India's political debate, in which an ugly extreme moves ominously close to the centre.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

The Khmers Rouges

Pol Pot's deputy in court

Dec 19th 2002 | PHNOM PENH
From The Economist print edition

But not in the dock

AP

Nuon Chea aids a comrade

A FORMER leader of the Khmers Rouges was finally brought to court on December 13th, but not to face a charge of being a member of the government that in the 1970s was responsible for the deaths of up to 2m Cambodians. Nuon Chea, now aged 77, a deputy of Pol Pot (who died in 1998), was brought by ambulance from his house in the former guerrilla stronghold of Pailin to Phnom Penh's municipal court as a defence witness for an old Khmer Rouge comrade, Sam Bith, aged 70.

Mr Sam Bith is on trial for the abduction and murder of 13 Cambodians and three western tourists in 1994. Mr Nuon Chea told the court that his comrade had gone to Thailand for medical treatment at the time the Cambodians and the tourists were abducted, supporting a key part of the defence case. The trial continues. Nuon Paet, another member of the Khmers Rouges, was jailed for life in 1999 for his involvement in the murders.

While Cambodians take an interest in the court appearance of Khmers Rouges in any capacity, they wonder why they are not in the dock. Two men connected to Pol Pot's regime are in custody awaiting trial, Ta Mok, a military chief, and a secret policeman known as Duch. Mr Nuon Chea has not been arrested, nor has Khieu Samphan, the “respectable” front man of the regime.

Last February the United Nations suspended discussions with the Cambodian authorities over a proposal to set up a tribunal to put the surviving Khmer Rouge leaders on trial. For three years the two sides had been haggling over how much control would be accorded to the UN. In December there have been moves on the UN side to re-start discussions. Cambodia's prime minister, Hun Sen, appears to favour a degree of reconciliation with Khmers Rouges who show regret for their past actions. But so far no one who was close to Pol Pot seems to be inclined to say sorry.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

China

A jail by another name

Dec 19th 2002 | BEIJING
From The Economist print edition

What “re-education” means

A committee put them inside

APART from its ten-metre wall, the Women's Re-education Through Labour Camp in Beijing looks more like one of the modern housing complexes favoured by the capital's nouveaux riches than a correctional facility. Its pink-coloured buildings, grecian columns, expansive lawns, rose beds and plane trees welcomed the first inmates in March. “It feels inviting,” enthuses the warden, Zhu Xiaoli. One of her underlings chimes in, “We don't want to make it like a fortress. It should be lively and human.”

Little, however, is human about China's re-education through labour (RTL) system. The 900-odd prisoners at Miss Zhu's $6.7m camp are serving sentences of up to three years, entirely at the recommendation of the police without having had a chance to defend themselves in court. Most of the inmates are drug addicts (about 40%), followers of the Falun Gong spiritual movement (28%) and prostitutes (about 10%). Their offences are considered too minor for punishment in the regular prison system, whose inmates are tried in court. Yet instead of being fined, put on probation or sentenced to community service, they are incarcerated like convicted criminals with little difference between their institution and a normal jail, except in this case for the architecture and colour scheme. The Beijing RTL camp happens to be a showcase for foreign visitors. Most of the other 300-odd RTL facilities in China are indistinguishable from prisons.

The justice ministry says there are some 260,000 people now serving in the RTL system, compared with more than 1.3m in prisons (which are often confusingly referred to as “reform through labour” camps). The true numbers are probably greater. Bizarrely, a minor offender could end up with more time inside than a violent criminal. The maximum RTL sentence is three years, extendable to four for those who behave badly. In the regular prison system, a rapist or robber could be out after three years.

China's courts, unencumbered by juries, are hardly impartial. Yet the secretive process whereby police-dominated committees hand out RTL sentences is especially open to abuse. Even officials admit that there is a problem. A book of guidelines for handling RTL cases, published in China in July, acknowledged that the sentencing procedure was not in accord with the International Covenant on Civil and Political Rights, which China signed in 1998 but has yet to ratify. Nor, it said, was it compatible with China's own judicial system. Some RTL committees send to labour camps even those involved simply in immoral behaviour or civil disputes.

Lorne Craner, a senior American diplomat who was in China this week for talks about human rights, said his hosts had for the first time agreed unconditionally to invite United Nations' investigators to look into abuses, including the jailing of citizens without due procedure. But while this was an unusual gesture by China to a country it normally resents for pontificating on human rights, there is little likelihood that the RTL system will be scrapped or significantly modified any time soon.

Western diplomats involved in human-rights talks with China say that a couple of years ago indications of possible reform were somewhat more encouraging. The Chinese have now gone quiet on reform, says one envoy. One reason, he suggests, is the campaign against Falun Gong, which has resulted in thousands of its followers being sent to RTL camps since 1999. This has played into the hands of the police, who regard RTL as a useful tool for suppressing dissent without the encumbrance of judicial bureaucracy. The courts, too, oppose any reform that would give them a lot more cases to handle.

Even abolishing RTL would leave the police with considerable power to detain people at whim. They can send people to centres where drug rehabilitation is carried out forcibly, and send migrants back to their registered homes. This latter procedure often involves being detained for weeks or months and has been increasingly abused in recent years to extract payments from rural labourers working in the cities. Shanghai police detained 10,000 such people in 1988 (1% of the city's migrant population). By 1997 the figure had risen to 100,000, or 3.6% of those registered as living outside the city. Of those detained, some 80% had committed no offence, according to a government study.

Writing in November 2001 in the *Peking University Law Journal*, Chen Ruihua, a lecturer at the university law school, said the police should be deprived of all their powers to impose custodial sentences. This was the only way to progress from a police state into a state ruled by law. The police, not surprisingly, see matters differently.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Indonesia

The peacemakers from Switzerland

Dec 19th 2002 | BANDA ACEH AND LHOKSEUMAWE
From The Economist print edition

A new bid to end violence in Aceh

NEAT rows of red and white flags around Banda Aceh's historic Baiturrahman mosque are the Indonesian government's way of saying that, despite a truce signed on December 9th, Aceh is and always will be its sovereign territory. Banners outside military installations declare that the Acehnese love their local military command, which loves them back. The question on everyone's lips is whether this truce can last longer than earlier ones.

The deal is a de facto admission by Indonesia that it cannot win the 26-year separatist war against the Free Aceh Movement (GAM) by military means alone. It is certainly a lot clearer than arrangements previously brokered by the Switzerland-based Henry Dunant Centre since 2000. It uses the words “cessation of hostilities” instead of euphemisms such as “humanitarian pause”. International monitors will be allowed in alongside those of the government and GAM. The deal includes some details of how remaining political issues can be thrashed out.

Yet the distance between the two sides remains enormous. Abu Sofyan Dawod, a local GAM commander, insists the rebels have not abandoned their goal of independence. They see this agreement as a way to get it without so many Acehnese dying along the way. They remain distrustful of the Indonesian military and the police. The deal nearly fell through at the last minute over where the rebels' guns would be kept. Mr Sofyan says GAM will not hand over its weapons to anyone. Indonesia wants people to believe that it has gained a victory, that GAM has on paper accepted special autonomy within Indonesia, at least as a starting point. But GAM's Sweden-based leadership accepts Indonesia only as a geographical term.

The paramilitary “mobile brigade” of the Indonesia police, for years accused of widespread extortion, has been ordered back to barracks, but soldiers and police with bandannas and assault rifles could this week still be seen patrolling in Lhokseumawe. This is an industrial city whose giant foreign-invested PT Arun gas plant is a source of simmering resentment in Aceh, and is one of Indonesia's largest taxpayers. Since the signing of the peace deal 15 civilians are reported to have been killed.

For all that, both sides realise this may be the best chance for peace they will get. With a team led by a Thai general, the Henry Dunant Centre will be responsible for running the entire peace operation, probably the first time any group other than the United Nations has taken on such a role. GAM wanted monitors from western countries, because they have shown concern about Aceh, unlike Indonesia's neighbours. A 150-member “joint security committee” will choose “peace zones” where GAM weapons will be stored. A democratic election is proposed for 2004.

The holes are clear for all to see. A delegate-to-be was killed a few days before the signing ceremony. Rumours abound of an intelligence unit operating death squads. According to human-rights groups, more than 1,300 people have been killed in Aceh this year alone. Since the first truce in May 2000, the violence has got worse. Most independent monitors blame the Indonesian forces, involved in extortion rackets of one kind or another.

Aceh's mineral wealth is substantial and a new special-autonomy law has brought hundreds of millions of dollars into the hands of the regional government. Extortion by the police and military is a fact of life for the foreign companies who mine much of Indonesia's vast mineral wealth, in Aceh as in every other region. The real answer is getting the money to be used in the way it is intended, but in Indonesia that is

never an easy matter. Nevertheless, donors at a meeting in Tokyo have agreed in principle to help Aceh if the peace process works, probably to the tune of at least several million dollars.

There has been considerable international pressure to do a deal. An under-employed American envoy to the Middle East, General Anthony Zinni, has been taking an interest in Aceh. Human-rights abuses in the territory have been an obstacle to military ties between Indonesia and the United States, which is keen to have the world's most populous Muslim country on its side in the war against terrorism.

Indonesia's Major General Djali Yusuf has publicly admitted that the government cannot defeat GAM by bullets alone. The GAM's 3,000 or more fighters can strike anywhere in Aceh. The army has been barely able to control the main towns and the roads that link them. Were Aceh ever to get an East Timor-style referendum, few people doubt that the independence option would win. Even if this deal succeeds in halting the violence, the question of independence will remain.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Kenya's election

Waiting for the newish man

Dec 19th 2002 | NAIROBI
From The Economist print edition

The Moi era, it seems, is ending. But what a mess it leaves behind

Get article background

ONE of Daniel arap Moi's monuments to himself is a big concrete fist, clutching a chieftain's club. A couple of years ago, three fingers fell off, presenting a single presidential digit to passers-by. It seemed apt: Mr Moi's 24 years in charge of Kenya have been marked by crumbling infrastructure and sporadic violence. But after an election on December 27th, Kenyans will be rid of Mr Moi and probably also of his party, KANU, which has ruled since independence in 1963.

For the first time, the opposition is united. Mwai Kibaki, the presidential candidate for the National Rainbow Coalition, a rattlebag of opposition parties and KANU rejects, draws delirious throngs: 150,000 came to welcome him home after medical treatment in London. Since Mr Moi is constitutionally barred from standing again, he picked a charismatic successor, Uhuru Kenyatta, the son of Kenya's founding father. The crowds like Mr Kenyatta, but not his patron. Last month, 50,000 people, many of whom had been promised money to attend, listened politely to the younger man, but when Mr Moi stepped up to speak, they walked off in their thousands. A recent poll puts Mr Kibaki a good 47 points ahead.

Kenyans have good reason to draw the curtain on KANU. Corruption has all but paralysed the state, with neither the president nor his party doing much to fight it. In Nairobi's slums, 2m people live atop well-trodden garbage, mostly without water, electricity or the prospect of employment. Violent crime stalks the city; the police are often the culprits. As one slum-dweller, Albert Otanga, puts it: “It's not safe to carry cash round here—too many cops.”

Life in rural Kenya is almost as wretched. Roads have reverted to bush and phone lines have been pilfered for copper. Every agricultural marketing board—created to support small farmers, but handed over as gifts to cronies—has collapsed. Kenyan coffee is perhaps the best in the world, but coffee plantations are everywhere being grubbed up and replanted with maize.

HIV afflicts at least 10% of the population. But three years after Mr Moi declared it “a national disaster”, Kenya has no state-run AIDS awareness programme worth the name. Last year, the government made great play of a new bill enshrining its right to import cheap generic AIDS drugs. But none of Kenya's 2.5m AIDS victims has received AIDS drugs from the state. Kenya's recent pitch for cash from the Global AIDS fund was turned down because it was too obviously incompetent. Asked how this could happen, a health ministry official replied: “because no one cares.”

Mr Moi built his patronage nexus during the cold war, when western donors ignored such goings-on. His abuse of power was modest at first. But after a failed coup in 1982, many dissidents were imprisoned, some of whom died mysteriously, and top posts were filled with members of his small tribe, the Kalenjin. Since the advent of multi-party democracy in 1992, Mr Moi has survived—winning two elections with about 40% of the vote—by stirring tribal hatred and dividing the opposition.

One of his reasons for picking Mr Kenyatta to succeed him seems to have been because he was keen to keep the Kenyatta family accounts out of court. But the decision enraged other would-be successors, who deserted KANU and rallied behind Mr Kibaki, a former vice-president and veteran opposition leader, who is probably too old to serve more than one term. Both candidates are Kikuyu (the largest tribe), which may be why the campaign has (touch wood) been less violent than previous ones. Yet a couple of politicians were murdered this week, and one had an eye gouged out.

Such is Mr Moi's aura that, despite the polls, Mr Kibaki's supporters cannot quite believe that he will win. One of Mr Moi's brutish sons, Gideon, has already secured a seat in parliament, after all his opponents stood aside. Kenyans fear that Mr Moi might yet engineer something similar. But it seems unlikely. Mr Kenyatta's advisers, a bunch of smart young professionals, concede that he will probably lose this time. KANU candidates complain that their war-chests are unusually empty. Even if the party spends liberally on polling day, there is nothing to stop the beneficiaries from voting for Mr Kibaki.

But will Mr Kibaki's regime be any cleaner? Probably, but some of his hangers-on give cause for worry. Although that statue of Mr Moi's fist was mended, fixing Kenya will be a whole lot harder.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Côte d'Ivoire's civil war

Sliding bloodily into chaos

Dec 19th 2002 | VAVOUA
From The Economist print edition

Africa's newest civil war grows ever worse and more confused

Get article background

AP

Signing up for mayhem

COMFORTABLY installed in a former prefect's quarters in Vavoua, munching on cow-brain stew and boasting about shooting down a government helicopter, the rebel leader showed no great desire for peace. “We're only in first gear now,” said Sergeant Zachariah Kone. “When we're in second gear, we'll be drinking coffee in Mama [the home village of Côte d'Ivoire's president, Laurent Gbagbo]. And when we're in third, we'll be dining in the presidential palace in Abidjan [the capital].”

When the rebellion began, in September, most Ivorians thought it would be over by Christmas. Instead, it has grown bloodier and more confusing. To begin with, there was only one rebel group. Now, there appear to be at least three, although the government insists that they are all part of the same plot.

Sergeant Kone is one of the leaders of the Patriotic Movement of Côte d'Ivoire (MPCI), the first band of rebels to start shooting. The MPCI controls the northern half of the country, which is mainly Muslim. The group's demands include fresh elections (at the last election, the main northern candidate was barred from standing), and a reform of the nationality laws that have branded many Ivorians, particularly northerners, as foreigners.

The MPCI had shown rare discipline for a rebel force, paying for supplies in towns it captured, and punishing looters, sometimes by executing them on the spot. But the recent discovery of a mass grave in the MPCI-controlled town of Bouaké, containing the bodies of 86 gendarmes and soldiers, has tarnished the rebels' image.

In late November, two new rebel groups appeared in the west of the country. The Popular Movement of the Great West captured the town of Man, in Côte d'Ivoire's cocoa-growing region. And the Movement for Justice and Peace (MJP) seized the nearby town of Danane, close to the border with Liberia. Both groups say they want to avenge the death of General Robert Guei, a former president who came from the west of Côte d'Ivoire, and who was killed on the first day of the MPCI's rebellion. Neither group has shown much discipline: fugitives from the areas they control tell of rape and pillage.

The government says the rebels are assisted by unnamed foreigners. In the case of the MPCI, there is no evidence for this, but the other two groups reportedly include at least some fighters from Liberia. Government troops, assuming that foreign troops are involved, have been terrorising foreign civilians at random and with impunity. A furious Nigerian diplomat tells of a soldier who, having killed a blameless Nigerian, gave his calling card to the victim's father and dared him to complain.

Such behaviour is one reason why Côte d'Ivoire's neighbours have been slow to send military assistance to Mr Gbagbo. But this week West African leaders agreed to send a 1,500-strong regional force to the country by the end of December.

France, the former colonial power, has been reluctantly filling the gap; the French government now says it will raise the number of its soldiers in the country to 2,500. The French troops are officially there to uphold an October ceasefire, and evacuate foreign nationals, but may end up protecting the government. Meanwhile, Mr Gbagbo's forces have bought helicopters and hired mercenaries to help out. A South

African hired to train Ivorian pilots moans that: “They want me to teach them to fly in two weeks. Usually it takes at least a year.”

Peace talks in Togo have stalled. The MPCI walked out, at least temporarily, when the corpses of 120 civilians, whom the rebels say the government killed, were found in a makeshift grave near Vavoua. The government will not consider the MPCI's demand that Mr Gbagbo should resign; the MPCI rejects the government's demand that it should lay down its arms before any agreement can be reached. Meanwhile, all sides are recruiting hard. The government launched an offensive in the west this week, retaking Man. And a country that three months ago looked pretty stable is swiftly sliding into chaos.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Iranian conservatives

Hard centres

Dec 19th 2002 | TEHRAN
From The Economist print edition

A split between the hardest of Iran's hardliners and the softer middle

Get article background

TWO conservative voices, both excellently informed, disagree. “Iran will not become a repressive dictatorship,” says Mohsen Rezai, a senior member of the Expediency Council, a powerful mediating body, on December 12th. Hossein Shariatmadari, the editor of a hardline daily, demurs; he predicts the “turbulent” elimination of Iran's largest reform party from public life. Both men are beholden to Ayatollah Ali Khamenei, and their disagreement reflects the unusual, and crucial, pressures on Iran's supreme leader.

Conservatives, rattled by Muhammad Khatami's threat to resign as president if they do not hand over power to him and his reform movement, are tugging Mr Khamenei, also a conservative, in two directions: Mr Rezai and his allies pull him towards pragmatism; hardliners towards despotism. The hardliners longed to unleash their armed thugs on the recent student demonstrations, provoked by a death sentence handed to Hashem Aghajari, a freethinking academic. The supreme leader and the president held them back.

Although a number of demonstrators were briefly arrested, Mr Khamenei and Mr Khatami came together to prevent a repetition of the large-scale arrests of student leaders that have disgraced Iran in the past. Mr Rezai speaks of the regime's new ability to tolerate more, and bigger, demonstrations. He expects the Revolutionary Guard, which he used once to head, to restrain conservative fanatics. The use of such “stabilising forces”, he predicts, will stop hardliners from launching the coup that some are said to favour.

Mr Khamenei would anyhow probably not countenance a coup while Mr Khatami remains in office. But Islamic radicalism is alive. The current trial of three reformers on espionage charges could end by engulfing the reformist party and the president's entourage. Hardliners in the judiciary at first ignored Mr Khamenei's order to review Mr Aghajari's death sentence. They then assigned their least lenient judges to the review. The recent resignation of the judiciary's spokesman may reflect the frustration of his boss, who is powerless to rein in recalcitrant judges.

It is likely that a hardline upper house will veto the two bills, currently before parliament, which are the president's instrument for removing his opponents from much of their power. Mr Rezai proposes compromise: “rational” amendments to the bills might, he says, secure their ratification by the Expediency Council, which acts as an appeals court for vetoed legislation. Yet, whether or not this happens, he does not expect the dispirited Mr Khatami to survive in office. A new generation of leaders, he says, will emerge.

If Mr Khatami resigns, the supreme leader might hand over executive powers to the Expediency Council. Mr Rezai is the linkman between Mr Khamenei and the head of the council, Ali Akbar Hashemi Rafsanjani. Mr Rezai speaks in reasonable, measured tones, even having conciliatory words for America. If Mr Khatami drops the reins of power, he seems to be saying, pragmatic conservatives will gather them up; people like Mr Rafsanjani perhaps, or maybe like Mr Rezai himself.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Israel and the Palestinians

Floundering, without a map

Dec 19th 2002 | JERUSALEM
From The Economist print edition

There's a peace plan but it is not to be revealed, yet

Get article background

EPA

The times are bad

THE “road map” drafted by officials from the so-called quartet—America, the European Union, the UN and Russia—is, as yet, the only plan that offers a peaceful escape from two years of blood-soaked Israeli-Palestinian violence. Its details were supposed to be revealed towards the end of December. But Israel's prime minister, Ariel Sharon, who has no time for some of the map's proposed routes, wanted all discussion delayed, at least until after Israel's election in late January.

He is to get his way, thanks to American support for delayed publication. When the diplomats concerned gather in Washington on December 20th, they will have to be satisfied with a photo opportunity with George Bush, and a meeting with his secretary of state, Colin Powell, to “develop” the peace plan.

Among a slew of demands on both sides, the plan requires the Palestinians to end all acts of violence against Israelis, and Israel to begin withdrawing from the Palestinian-controlled areas it has re-occupied since the *intifada* erupted in September 2000. Later milestones include the establishment of a “provisional” Palestinian state in 2003, and a fully-fledged peace treaty by 2005.

The Palestinians were unhappy with the first draft of the plan, claiming it put unfair onus on them to deliver immediately on reforming their institutions and ending all violence in return for the deferred promise of statehood and negotiations to end the occupation. Mr Sharon was unhappy with a second draft, particularly because it did not make as plain, as he and Mr Bush would like it to be, that Yasser Arafat should be replaced by a new leader, while making it very plain that Israel should, at some point, freeze settlement building in the occupied territories.

The Americans are said to have dithered between the drafts. Among issues that had still to be finalised were whether an end to Palestinian violence must precede the freeze on Israeli settlements, how much power the quartet's proposed peace monitors should have, and whether Israel should be allowed to continue its policy of assassinating alleged terrorists.

The EU argued for quick publication, so that Israeli voters were made aware of the options. The road map is clear, insisted Javier Solana, the EU's foreign-policy chief, on December 17th, “but we have not been able to get the train out of the station a single inch.” But the Americans, and some Europeans, thought there was good reason to hold back until after the election, lest the road map be shredded during a campaign that will be dominated by the right.

Mr Sharon, or so the Palestinians believe, wants the plan to be parked indefinitely while Israel's army continues to try to crush their uprising by force. The army itself says that since June, when it reconquered most of the West Bank, over 4,000 Palestinians have been arrested, including nearly 1,000 still held without trial. And though the lethality of Palestinian attacks has declined, the violence continues: in December alone, over 30 Palestinians (and two Israeli soldiers) have been killed: some fighters but also unarmed civilians.

Under these conditions, the Palestinians are cynical about, but have accepted, a British invitation to

London in January to discuss reforming the Palestinian Authority. With Israel occupying seven of the eight main West Bank towns and almost no movement allowed, Mr Arafat has agreed that it will be impossible to hold Palestinian elections in January. As for a ceasefire, some Palestinian leaders, including Abu Mazen, sometimes touted as Mr Arafat's successor, have admitted recently that the “militarisation” of the *intifada* was a disastrous error. But talks in October between Mr Arafat's Fatah movement and the Hamas Islamists failed to adopt a proposal to stop killing Israeli civilians. A second round of talks has yet to materialise.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

The Iraqi opposition

Saddam's would-be successors

Dec 19th 2002
From The Economist print edition

Iraq's opposition-in-exile prepares for war, and post-war

AS THE military pressure on Saddam Hussein mounts, his opponents in exile managed a rare show of sort-of unity. Meeting in London this week, some 350 delegates from a motley collection of Kurds, Shias, liberal secularists, monarchists, Turcomans, Assyrians, feminists and others sketched out a vision of a future Iraq that was more coherent than anything they have so far achieved in 12 years of often vicious squabbling.

Their vision was set out in two documents. One described principles for the creation of a “democratic, parliamentary, pluralistic and federal state”. The other outlined a two-year period of transition between the ousting of Mr Hussein and the establishment of constitutional rule. While the document accepted the need to “exploit international factors” (read, American money and muscle) to bring about the fall of the Iraqi regime, it rejected any form of foreign military rule, envisioning instead collective leadership by a three-man “sovereignty council”.

A 75-member committee was appointed to follow up these recommendations. Accommodating the various factions took a couple of extra days of wrangling—and the committee is three times larger than originally envisioned.

The pursuit of fine ideals by such an unwieldy body would not, on its own, be likely to rattle Mr Hussein very much. In the past, he has deftly exploited the rivalries between his enemies, and so managed to neutralise them. But his opponents' desire to get rid of him is now bolstered by more than words. America has said it will release $92m of long-promised funds to finance the groups, and will provide military training for up to 10,000 exiles. And its preparations for war continue, remorselessly.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

After the EU summit

And now let's have another look at the road map

Dec 19th 2002 | BRUSSELS
From The Economist print edition

The enlargement agreed at Copenhagen leaves plenty still to be done

Get article background

AT EIGHT in the evening on December 13th, the doors of the European Union swung open. The leaders of ten countries eager to join were ushered in to meet those of the 15 current members. Their applications had been approved. Champagne and speeches flowed. Latvia's President Vaira Vike-Freiberga proclaimed (in English and French) that “justice has been done.” Peter Medgyessy, from Hungary, averred that for his country “history begins again today, after an interruption of 60 years.”

Then came an awkward moment. The leaders of three candidates not yet accepted, Romania, Bulgaria and Turkey, were allowed to join the throng. Abdullah Gul, Turkey's prime minister, did not disguise his bitterness. Turkey had been told that the earliest it might even start negotiating was the end of 2004, and then only if a demanding series of political reforms had been put in place. “Far from satisfactory,” he said, though it would not deflect Turkey from its determination to join.

But the Copenhagen summit was indeed historic. What began as a club of six West European countries, linked by the horrors of a recent war, is due soon to number 25, up to—indeed, with the Baltic states, into—the edges of the former Soviet Union. The accession treaties must still be ratified. Nine of the ten would-be members will put them to referendums next year. Hungary is expected to go first, on April 12th. Current polls put approval there around 75%, and EU officials hope this will create momentum in places such as Estonia, where a recent poll recorded just 39% (albeit with only 31% against). Votes in Malta and Latvia too may be close.

The most eagerly awaited vote will be in Poland, with 39m of the hoped-for 75m new EU citizens. The last stages of the Polish accession negotiations were bitter, and its anti-EU voices are strong. Still, current polls show clear “yes” majorities.

And then?

If all goes well, the new members will join on May 1st, 2004. There will then be three key issues: their economic development; their impact, as members, on the EU; and the EU's handling of those countries still banging on its door, in particular Turkey.

Central Europe's economies are mainly doing well. All are growing faster than the EU average: by 5% in free-market Estonia last year. Free trade with the EU, except in farm products, is already in force. Taken together, Czech and Hungarian exports have almost trebled since 1993, over 60% going to EU buyers. Especially to these two, foreign investment is pouring in. Poland is a worrying exception; its GDP is barely rising and unemployment is near 20%.

All the candidates hope that actual membership will give a further boost. But they also worry about the costs of EU social and environmental rules, and wonder how their farmers will cope with competition from more-subsidised West European producers. Still, well-educated and low-paid labour should help all these countries to go on doing better than their new partners—as they must, if EU enlargement is to fulfil its central promise of closing the gap in living standards.

In Brussels the main concern is about the impact of the newcomers on the Union. Some are logistical: how long will EU meetings go on, if 25 countries have to say their piece; can the translation system cope? Officials are already dreading the negotiations over the next EU budget, as the newcomers struggle to improve what many see as the rotten financial deals of their entry terms, while current members fight to hold on to the loot.

As for policies, for “budget” read, notably, farm policy as such, a big issue for the newcomers; and, no less, the sundry EU efforts to help poor members catch up with rich ones. The newcomers will also affect the EU's fledgling foreign policy. They are likely to be more pro-American than some current members. George Bush recently got loud cheers when he gave a speech outdoors in Lithuania; he could barely risk such an event in parts of Western Europe.

The biggest foreign-policy issue for the new EU will be how to deal with the queue of further applicants. Six months after the new members join, the EU of 25 will be called upon to judge whether Turkey is fit to begin negotiations. Cyprus could prove troublesome. Hopes that talks in Copenhagen outside the summit could lead toward a deal to reunite the island came to little, but Cyprus was accepted anyway. Might its (Greek-)Cypriot government try to block Turkey's entry, as the Turks fear? Meanwhile, Romania and Bulgaria are already at the door, and others will surely come. The historic enlargement agreed at Copenhagen will not be the last.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Turkey and the EU

Well, thank you

Dec 19th 2002 | ANKARA
From The Economist print edition

And Turkey's own hardliners are not being helpful either

Get article background

AP

Erdogan, doing what he can

“AN HISTORIC victory,” said Recep Tayyip Erdogan of the Copenhagen summit, as hundreds of his party members applauded in the Turkish parliament. The leader of the governing Justice and Development Party (AK) was referring to the EU's decision to review Turkey's membership bid no earlier than December 2004 and—if the EU feels it has done enough on human rights—“with no further delay” give it a date for the start of entry talks.

Only days before, Mr Erdogan had been warning EU leaders that they would prove it was a Christian club after all if they did not give Turkey a firm date at Copenhagen. And the first reaction—“blackmail”—of the usually soft-spoken new prime minister, Abdullah Gul, had been harsh. But the spin now coming from Ankara is being widely echoed by Turkey's businessmen and even by its fiercely nationalistic pro-establishment press. Wobbly it may be, but a date is a date, they all argue; instead of whining, let's press on with reforms.

The previous parliament had already taken steps that way, and the new one is following suit. The constitution is likely to be amended to allow an amnesty for the many students expelled from university for wearing headscarves or demanding Kurdish language courses. And some former Kurdish parliamentarians given long jail sentences in the past, for demanding to use that language when they were to be sworn in, will get the chance of retrials.

More important—and certainly so for the EU—the new government needs not just to reform the constitution or the law, but to implement the results. In Diyarbakir, the Kurds' regional capital, five school teachers were recently banned from their profession for having played Kurdish songs at a social event, and even now face trial on charges of promoting separatism.

Still, Mr Erdogan is going in the right direction. Also, despite fierce opposition from the generals and hawks in the foreign ministry, he has given a degree of support to the United Nations' plan to reunite Cyprus, urging that the UN-set deadline for a deal, February 28th, be met. Otherwise, said Turkey's foreign minister, Yasar Yakis, the Turkish troops there would in 2004 be regarded by the EU as occupiers of one of its member states.

Mr Yakis was savaged by Deniz Baykal, leader of the only opposition party in parliament, and the hawks' front man on Cyprus. Mr Gul, meeting Turkey's president and chief of staff on December 18th, got little joy. The foreign ministry itself damned the EU's acceptance of Cyprus as “illegal”. But the government is still pressing Rauf Denktash, the aged and ailing Turkish-Cypriot leader, to accept the UN plan as a basis for negotiations. Mr Denktash is under pressure at home too: thousands of Turkish-Cypriots took to the streets last week calling for his resignation. They feel Turkey at least got “a date for a date”, from Copenhagen, while they got nothing at all.

Mr Erdogan may soon be better placed to pursue his ideas. He was barred from the election in November, because of an old conviction for reciting a supposedly Islamist poem. But a constitutional change already passed would now allow him to stand for parliament. He is expected to do so in February, in a southern province where the voting has to be rerun. He could then replace Mr Gul as prime minister.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Kaliningrad

Cut off

Dec 19th 2002 | KALININGRAD
From The Economist print edition

Russia's separated sons feel out in the soon-to-be EU cold

COMPARED with some Russian regional capitals, the city of Kaliningrad seems to be doing quite well: it is reasonably tidy, bustling with new shops, and facing a soon-to-be-intractable traffic problem. But for anyone visiting from more prosperous neighbours like Poland or Lithuania, the contrast is jarring. And it risks becoming all the more so after those neighbours join the European Union in 2004.

Until 1991, Kaliningrad's odd location (part of former East Prussia, it was absorbed into the Soviet Union after the second world war) did not matter much. It did well as a Soviet industrial centre and home to the Baltic fleet. But when the Baltic republics became independent, cutting it off from the homeland, their customs duties made sending goods to the rest of the new and shrunken Russia suddenly more expensive. And once its borders become EU borders, Kaliningrad's trucks will have to meet EU safety standards.

Moreover, six months from now its 950,000 residents will no longer be able to cross its eastern border freely on their way to the rest of Russia. Last month, after protracted haggling with the EU, Russia agreed to a “facilitated-transit document” for Kaliningraders who want to get to the mainland through Lithuania—a face-saving name for what is basically a visa. That will not only enforce Kaliningrad's isolation; it will also be a blow to the small-time smuggling of cheap vodka, cigarettes and petrol that provides a livelihood for thousands. Already, the region's GDP per person is more than one-third below the Russian average, never mind that of its neighbours.

Up to now Moscow's approach has been to coddle Kaliningrad's economy. For four years it was a fully free economic zone, and since 1996 goods have been imported duty-free if they are used to make finished products, of a certain added value, for sale to the rest of Russia.

The results: Kaliningrad makes a lot of furniture, and a handful of foreign companies (notably BMW, a German car maker) have assembly plants there. But its special status, admits Vyacheslav Dykhanov, an official of the regional development agency, has made Kaliningrad “a kind of drug addict”: it leaves local business lazy and uncompetitive, and creates opportunities for corruption.

All of which contributes to Kaliningrad's bad image—an undeserved one, say indignant locals. It is often referred to as one of Russia's AIDS capitals; but while its reported HIV infection rate is higher than the average, that may just be because it set up a vigorous (and controversial) testing programme early on. Now, say health authorities, the rate of new cases has slowed.

All this upsets the Kaliningraders. Russian they indeed are, and not so just by formal citizenship. But they are noticeably more “European” in temperament, and—though opinion polls find virtually no support for separatism—tend to use the word “Russia” as if it were another country.

Economically too they are in a bind. On the map, Kaliningrad is 310 kilometres (195 miles) from Vilnius and 280km from Warsaw, but 690km from the nearest big Russian city, Pskov. It should be trading with its neighbours. But many of its products will not meet EU quality standards. So the new EU will both constrict its trade with Russia proper and heighten neighbouring countries' barriers against its goods.

The Russian government does at least seem to be paying attention. It has outlined a development programme until 2010, with big spending on infrastructure. The idea, says Mr Dykhanov, is to wean

Kaliningrad off its special economic status and make it an attractive place to invest. It offers cheap labour, and is as near western markets as is Warsaw, though worse connected. It should suit at least some outside investors. More ambitiously still, the authorities want to turn Kaliningrad into a pilot region for Russia itself: a test-bed both for economic reform and for a proposed EU-Russia common economic area, which is as close to EU membership as Russia can hope for in the foreseeable future.

The trouble is money. Government budgets are expected to provide the capital for only a fifth of the development programme. Another fifth or so, it is hoped, will come from private investment, a further fifth from loans, and the rest from unspecified “other sources”. Even official figures show recent annual foreign direct investment in Kaliningrad at around 0.5% of regional GDP, as against about 1% for Russia as a whole and 4% or so for Lithuania. Moreover, the EU will give its new entrants billions of euros in restructuring funds; it has given Kaliningrad only *euro*40m over the past decade, most of which has paid for advice rather than gone into investment. Something radical will have to happen to stop Kaliningrad falling a lot further behind.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Economist.com WORLD EUROPE
PRINTABLE PAGE VIEW SPONSORED BY
About sponsorship

Al-Qaeda in Europe

Nightmare in Paris

Dec 19th 2002
From The Economist print edition

One plot foiled. There will be others

IT IS the stuff of European nightmares: a clutch of suspected terrorists, two phials of unidentified liquid and one suit for protection against nuclear, chemical and biological weapons, all found on December 16th alongside wads of cash, false papers and some empty chemical containers in an apartment in a suburb to the north-east of Paris. The three Algerians and a Moroccan woman were picked up after tip-offs gleaned after earlier arrests in Paris and in Britain (where seven more men, all North Africans, were detained this week under anti-terrorism laws). The Paris group reportedly got its training in Chechnya, and is said to have had past links with a group in Frankfurt that two years ago was plotting to blow up Strasbourg cathedral.

It could take several days to show just what the chemicals were. But France's interior minister, Nicolas Sarkozy, was in no doubt that the arrests in Paris were “extremely important”. European governments were until recently critical of the way the American one, since the twin-towers attack, has repeatedly issued threat alerts. But now they too are increasingly edgy in public, alarmed by intelligence reports that al-Qaeda cells might (and may) be planning new “spectaculars”, perhaps in several countries simultaneously. A taped message last month thought to have been from al-Qaeda's leader-in-hiding, Osama bin Laden, threatened Britain, France, Germany, Italy, Canada and Australia by name.

European nationals have been victims of al-Qaeda before. Some died in the twin-towers attack. Some German tourists were among the dead earlier this year after an explosion at a synagogue in Tunisia. A group of French technicians was killed in an attack in Pakistan, and a French oil tanker was holed off the coast of Yemen in October. Europeans were also among the victims of the recent bomb blast in Bali. Meanwhile, several attacks planned against targets—and not just American ones—in Europe are thought to have been foiled in recent months by timely arrests, from the Netherlands to Spain.

If the chemicals found in this week's raid turn out to be lethal, this would not be the first such “unconventional” attack to be thwarted either. Several suspects were picked up in Rome in February in possession of quantities of cyanide and a map showing the water pipes leading to the American embassy; and there were reports last month of a planned chemical attack on the London underground.

Al-Qaeda is known to have experimented with chemical and possibly nerve agents in Afghanistan. Documents found in safe houses there showed that its operatives were being trained to assemble “dirty” bombs, which would use ordinary explosives to spread radioactive material; one man has been held for months in America, on suspicion of planning a similar attack. And although its main training camps in Afghanistan have been lost, al-Qaeda is still recruiting, reportedly through camps in Chechnya, Lebanon and South-East Asia. This week a UN team monitoring sanctions on al-Qaeda reported that “small, discrete and mobile” camps are reappearing in eastern Afghanistan too. The nightmare is far from over.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Economist.com WORLD EUROPE
PRINTABLE PAGE VIEW SPONSORED BY
About sponsorship

Poland's coal industry

Tradition wins

Dec 19th 2002 | WARSAW
From The Economist print edition

The miners fight off government plans to slim the industry

IT WAS all smiles in Warsaw after Leszek Miller's socialist-led government dug its heels in at Copenhagen to wring a little more up-front money from the European Union before signing up to join. But at home the government's resolve is woefully lacking. The coal miners this week made a mockery of it, and of all who may think that in the future EU countries market forces already reign supreme.

In November, the government had approved a three-year plan to slim the troubled coal industry, closing seven mines and axing 35,000 of today's 142,000 jobs, as a step to privatisation. No way, said the 13 trade unions involved, and they won: the government has now agreed to defer decision on pit closures, and to maintain the miners' traditional social benefits.

To be fair, coal reform has been a daunting and conflict-prone undertaking in many European countries; think of Britain in the mid-1980s, or Germany which, after cutting hard-coal output sharply in its prosperous west, had to contend with plummeting lignite production in the ex-communist east. And Poland's coal industry—the second-largest in Europe, after Russia's—was always going to be a tough nut to crack. Clustered in the southern region of Silesia, and unionised to the hilt, the country's 40-odd mines generate only 2% of GDP but provide for over 60% of total energy consumption and, with lignite pits, 95% of power-station needs.

So the industry has the political muscle to stymie restructuring programmes. Its combative unions are most to blame, but the managers of the seven coal holding companies, and the state agency responsible for them, PARG (“Pargosaurus”, laments one consultant, bemoaning the age and outlook of its senior officials), are not too fond of privatisation either. “We're all in this together,” said one union boss after miners early this month voted overwhelmingly to go on strike in defence of their jobs and their benefits.

The government's climb-down averted that, but leaves the industry bleeding cash and sinking in debt, despite significant downsizing over the past four years. And as Poland's growth rate has grown worse, so has the outlook for coal: experts now reckon the industry must slim to 80m-85m tonnes a year, and 90,000-100,000 jobs. “The goalposts have shifted,” says a mining adviser at the World Bank, which is mulling over a loan to help it modernise.

Yet, given the needed shake-up, the long-term prospects for Polish coal are not bad. Power plants give it a solid customer base. Imports, so far, are low. Even the unions grudgingly accept the need for privatisation. But Mr Miller is loth to rock the boat ahead of a June referendum on EU accession. A task-force is to make recommendations on pit closures at the end of March.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Economist.com WORLD EUROPE
PRINTABLE PAGE VIEW SPONSORED BY
About sponsorship

Crossing the Pyrenees

Over? Round? Why not under?

Dec 19th 2002 | SARAGOSSA
From The Economist print edition

The people of Aragon are tired of being shut in by the mountains

THE final safety tests were done this week. When it opens in mid-January, the Somport tunnel, 8.6 kilometres (5.3 miles) of road, will be the longest ever dug in the Pyrenees—which sounds plenty, but is nothing much compared with tunnels in the Alps, and comes almost 12 years after France and Spain signed up to the project, and six behind the original schedule.

If only, dream the people of Aragon. Their region lies neatly across the direct route, as the eagle flies, between the two countries. The trouble is that, just to the north, so do the Pyrenees. In consequence, nearly all the enriching, and rapidly increasing, cross-border trade flows, well away from Aragon, round the mountain range's eastern and western ends.

One toytown railway goes across the mountains, over in the east. Another line, from Aragon's capital, Saragossa, to Pau, was closed in 1990. The few roads are not much better. The new high-altitude tunnel under the Somport pass will save trucks half an hour of a dangerous and often snowbound route. Even then, though the Spanish access road has been vastly improved, the French one remains twisty and narrow, quite unfit for today's behemoths. And the French authorities, already under fire from ecologists and local mayors over heavy traffic in the Alps, don't want extra trouble in the Pyrenees. They have promised an upgrade—completion date, 2018.

Aragon is fed up. Not that it is in need: except in its thinly populated south, it is rich, with output per person well above the national average, and unemployment, at 5-6%, far below. Mainly around Saragossa, home to half its 1.2m people, its industries, headed by an Opel car plant, are still healthy. It has fine country and some tourist sites, both little known outside Spain; plus five ski resorts, not yet of Alpine quality but investing hard, aided by the regional government and the biggest local savings bank, to catch up. Yet its big hopes rest on communications.

The region is well linked by motorways east and west to wealthy Catalonia and the Basque country. Despite yet another just-admitted delay, the AVE, Spain's high-speed train, will join Saragossa to Madrid early next year, and to Barcelona by 2004. The powers-that-be—socialist-led region and conservative municipality alike—are promoting a big new logistics park next to Saragossa's airport, with road and conventional rail links and an AVE station to come. The airport is still small, and indeed losing passengers, with only 15 scheduled departures a day, and not one by any of Europe's traffic-multiplying cut-price airlines. Yet here could be the symbol of a different transport future for (in this respect) still over-centralised Spain. What's missing is better access north and south.

Southern links are on the way. A motorway down to Valencia should be complete by 2005, and, one day, an AVE line will follow. Even to the north, there is hope. As well as the new Somport road tunnel, the parallel rail tunnel shut in 1990 is due to reopen in 2006. But it too is a high-altitude tunnel, the peak of an old-fashioned line of steep gradients and sharp curves. Hence the real “if only” dream of the Aragonese: a brand-new rail line running in a low-level tunnel slap under the Pyrenees.

The two cross-frontier coastal motorways, its boosters argue, are already congested. Yet rail takes only

5m tonnes a year of the 100m-odd now crossing the frontier; for a start, because Spanish trains run on a wider gauge than in the rest of Europe, so the bogies have to be laboriously changed, or the goods transhipped, where the rival gauges meet. Yet 2020 may see another 100m tonnes wanting to move. Current rail projects will raise capacity substantially, by nowhere near that much.

Answer: take 50m tonnes off the roads on a modern, high-speed, standard-gauge freight line piercing the Pyrenees from (you guessed) northern Aragon. The preferred route, heading to Lourdes, would need 55km of tunnels, including one monster of 41km. Cost? Maybe, at today's prices, *euro*3 billion ($3 billion). Maybe.

Will it ever happen? The Spanish government is mildly in favour; that of France, which would have to meet more of its own costs, is distinctly cool. The European Union, which would have to chip in, is underwhelmed. No matter, says an enthusiast: “It's inevitable.” One day, perhaps.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

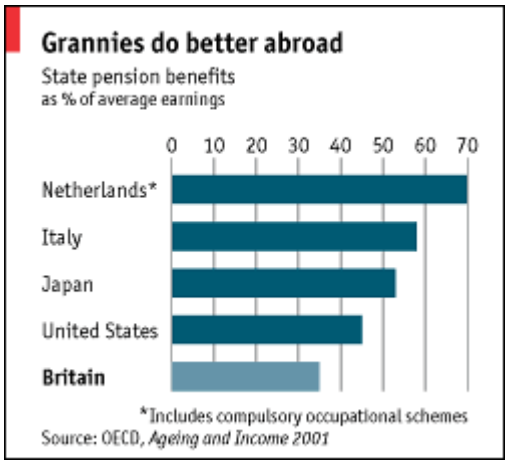
About sponsorship

Pensions

Poor old Britain

Dec 19th 2002
From The Economist print edition

The government's pensions rethink doesn't solve the central problem: that the design of Britain's state pensions system discourages people from saving



WHEN the government publishes a green paper—a consultative set of proposals—that's usually a sign that it hasn't a clue what to do. This week's green paper on pensions is no exception. Although it offers some useful minor reforms, it still leaves the government groping for an answer to a mounting crisis over pensions.

Britain's pension system is unusual. In most rich countries, the state dominates pension provision through a generous “pay-as-you-go” scheme, under which this generation's workers pay for their parents' retirement. Britain's universal public-pension system offers only a fairly stingy safety-net. The state has got away with spending so little because employers and individuals have taken up the slack. Nearly 11m people—about half of employees—are members of occupational schemes, and another 4m people are saving for their retirement through personal pensions.

The best thing about the British system is that it is cheap. Precisely because state pensions are stingy, Britain can contemplate the costs of its ageing population with more equanimity than other countries. The government projects that state pension payments will remain at around 5% of GDP, even though the ratio of pensioners to workers will rise sharply over the next 30-40 years. On average in the European Union, pension payments are 10% of GDP and scheduled to rise to 13%.

The downside is that a lot of pensioners—particularly those who are not members of occupational schemes—are poor. The flat-rate basic state pension, at £75.50 ($120) a week for a single pensioner, is not enough for anybody to live on cheerfully. This makes a Labour government with redistributive yearnings uncomfortable.

Labour's big idea for improving the lot of poorer pensioners without loading heavy costs on taxpayers is to means-test benefits, offering bigger state pensions to those who haven't built up their own savings. From October 2003, half of pensioners will receive a “pension credit” which will boost their retirement income.

But Britain's unusual system will go on working only if the private sector goes on doing its bit. That looks increasingly uncertain. According to the National Association of Pension Funds, almost a third of private-sector final-salary schemes (which set pensions according to the number of years a worker has toiled, and his salary at the end of service) are now closed to new members. Typically, these have been replaced by defined-contribution plans (which set pensions according to the amount put aside by the worker and his employer). Employers tend to contribute less into these sorts of schemes.

Individuals aren't showing much sign of taking up the burden, either. The government's scheme to encourage personal retirement saving—the low-cost “stakeholder pension”—has flopped among the poorish workers for which it was designed. So millions of people are not saving enough for their retirement.

One of the main points of the green paper was to sort out what the government could do to encourage private saving. The government is, accordingly, going to simplify the hideous complexity of the tax regime for pensions, a source of constant complaints from the pension industry. Eight different tax

regimes for pension saving will be swept away and replaced by one: an individual lifetime fund limit of £1.4m. The government is planning to change the rules to make it easier for the industry to offer cheaper products and more attractive forms of annuities. Everyone is to get more information about whether they are saving enough for retirement.

The government is also trying to get people to work longer. An EU directive on age discrimination is being implemented, and the government now says that this legislation will ban employers from setting mandatory retirement ages. It is also abolishing the tax rule that prevents people from continuing to work part-time at a company once they start drawing a pension from it. People will get a bigger reward in higher state pensions if they put off the time when they first start taking them.

But what the green paper left out is more important than what it contained. Even though people are living longer and longer, Andrew Smith, the pensions minister, failed to grasp the nettle of either abolishing or raising the state retirement age, when people can draw their publicly provided pension, beyond the already scheduled increases for women from 60 to 65 between 2010 and 2020. So it will remain stuck at 65, an age first chosen in 1925. And he announced no change in the structure of state provision, in particular its growing emphasis on means-tested top-up benefits.

This is the central problem with the state pension system: means-testing undermines the incentive to save. Today's workers know that if they save for their pensions, when they retire at least 40% of what they have put aside will be taxed away through the withdrawal of the means-tested pension credit. The pension-fund industry wants the government to make the means-tested pension credit a stop-gap by providing a more generous state pension to all, and to pay for this reform by raising the state retirement age. So it doesn't think much of the green paper.

All this points towards a system of compulsory pensions saving. Presenting the green paper, Mr Smith depicted the changes it proposes as the last chance for a system that relies heavily on voluntary private contributions. The government has set up a commission under Adair Turner, former director-general of the Confederation of British Industry, to assess whether the voluntary system can survive. It doesn't seem likely that it can: the only way of getting people to go on saving for their pensions while maintaining a state system which discourages them from doing so is to force them.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Insurance

Blame culture

Dec 19th 2002
From The Economist print edition

Shuffling costs on to insurers means everybody pays more in the end

INSURERS spread the pain widely, so when they have to pay up nobody really feels it. That seductive notion is at the heart of a big shift in British life, which is dumping more and more burdens on insurers. The main beneficiaries are a few people and their lawyers; the victims are those who pay increasingly costly insurance premiums—pretty much everybody.

A report this week on “Compensation Culture” by the Institute of Actuaries estimates the annual cost of compensation claims as £10 billion ($15.9 billion). Some of that—chiefly in medical negligence cases, and in the police and armed services—is billed straight to the taxpayer. The military alone paid out an estimated £100m last year, often for injuries that in a more robust age would have been seen as part of the job. One recent jackpot was a £387,000 payout to a soldier with warts, which the army failed to treat properly.

But the largest chunk—£7.1 billion—comes from insurance claims. Since 1997 these have been rising by around 15% a year. One reason is a big shift in the type of claims. British judges and doctors have followed America's lead in treating generously such ailments as “post-traumatic stress disorder” (lingering upset feelings, in layman's language). They have also applied a much harsher interpretation than before of the legal principle of a “duty of care”. For most things that go wrong, someone, somewhere, must be to blame—and made to pay.

The other big change is the growth of no-win, no-fee litigation, in which lawyers can take a large chunk of any payout, in exchange for handling the case free of charge. Introduced in 1995, and broadened in April 2000, this was meant to make up for the abolition of legal aid in negligence cases. That saved the taxpayer money in the short run, but has made litigation much more costly. Plaintiffs' lawyers typically charge a success fee of a third or more of the total payout, as well as the cost of insuring themselves against losing the case, which can be another thousand pounds or so. The actuaries' report reckons that a stunning 40% of the £7 billion paid out in 2001 went in legal fees.

The main effect of all this is higher premiums, most visibly in the compulsory insurance firms take out to protect themselves against claims from their employees. The Association of British Insurers says that last year its members paid out £1.47 in costs and claims for every £1 they took in. Premiums have already risen from £420m in 1999 to £574m in 2001. Typical rises for the current year are a further 50%—and a lot more for some small firms with risky businesses.

That has two results. One is to impose a large and unpredictable tax on jobs. A firm faced with a ten-fold increase in its insurance premium—all too possible in industries such as construction—simply stops hiring new workers, or starts sacking the ones it has. A second result is to boost the black economy. Firms turn their workers into self-employed sub-contractors, or simply trade illegally.

Another source of extra costs to insurers is the state. The government, keen to cut spending wherever it can, is thinking of shifting part of the cost of modernising the fire service on to insurance companies. If firemen turn out to rescue a car crash victim, his insurers should pay up, according to a government-backed review of the fire service published this week. This mirrors an existing scheme under which insurers reimburse the NHS for medical costs. Since it was streamlined a year ago, it now raises around £150m a year from insurers.

This may look painless, and there are strong arguments for making drivers pay the full cost of their carelessness. Car insurance premiums have risen by three-quarters in the past ten years, while the cost of household insurance has stayed the same.

But in the current climate, in which driving without insurance is not treated very seriously, the likely outcome is a further increase in the 4-6% of drivers who simply fail to insure themselves at all. The Motor Insurers Bureau, an outfit financed by a levy on the whole industry that pays out when such drivers hurt someone, paid out just £11m in 1988. By 2000 that had risen to £225m. That works out at about £30 per policy—and it will continue to rise, until the law starts treating drivers' failure to insure themselves as a serious offence.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Education

The stealthy elitist

Dec 19th 2002
From The Economist print edition

Charles Clarke is undermining the anti-elitism behind education policy

AMONG the myriad targets Britain's government likes to set for itself, few have had more malign unintended consequences than the apparently innocuous commitment to get 50% of all young people into degree courses by 2010. It has led both to the dumbing down of A-level standards that culminated in last summer's marking scandal and to the current agonising over the funding of universities, whose academic standards are falling apart under the pressure to teach increasing numbers of students with little more money.

Even on its own terms, the policy is failing—as figures released this week by the universities' funding council show. For all the government's bullying, the proportion of students top universities recruit from state schools is barely rising. Lower down the ladder institutions are experiencing drop-out rates of around 25%. At one such, the University of North London, where 39% of students come from the lowest socio-economic groups, 45% failed to complete their courses. The government is still way off its target—just under 40% of 18-year-olds now go into higher education—but already at least £250m a year is being wasted because of the rising drop-out rate.

Unlike the wretched Estelle Morris, who resigned two months ago after admitting she wasn't up to the job, Charles Clarke, the new education secretary, is showing some reluctance to continue the charge up this particular blind alley. This week, without actually pouring scorn over a pledge of Tony Blair's, he made it as clear as he could that the 50% target was being quietly dropped. The important thing, Mr Clarke opined, was to make sure that universities were open to academically able young people from all backgrounds.

The Cambridge-educated Mr Clarke seems to recognise both that good universities cannot flourish without intellectual elitism and that, by definition, not everyone can belong to the intellectual elite. In a recent interview, albeit conducted just before he was propelled into his new job, Mr Clarke was inclined to put the blame for the apparent social exclusiveness of the top universities more on the deficiencies of state secondary schools than on the universities' admissions policies. To that end, Mr Clarke is keen to step up the pace at which “bog standard” comprehensives convert themselves into new “specialist” schools, which are allowed to pick some of their pupils on the basis of “aptitude”.

Perhaps not surprisingly, there is some unease about all this among old Labour types. More dangerous to Mr Clarke are the fervently egalitarian views of the chancellor, Gordon Brown. Which may help to explain why Mr Clarke last week made some surprisingly tough-sounding remarks about the country's 166 remaining selective grammar schools.

Up to now, the government has left it to local people to decide the fate of these academically successful schools. Selection in a given education authority area can be ended by ballot, but for a ballot to take place 20% of those eligible to vote must sign a petition calling for one. As few have bothered to do so, Mr Clarke could yet decide on a more heavy-handed approach. What better cover for his other plans than to fulfil the promise of Anthony Crosland more than 35 years ago to “destroy every fucking grammar school”?

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

The great fire of Edinburgh

Still blazing

Dec 19th 2002 | EDINBURGH
From The Economist print edition

The city is consumed by a row between conservationists and modernisers

THE conflagration that destroyed a chunk of Edinburgh's historic old town two weeks ago is not over. The firefighters may have made way for the demolition men, but now an inferno of a different sort is raging: a row about how to replace the burnt buildings.

In a way, this is surprising. Not much of the UNESCO-designated World Heritage Site was burnt, and the buildings damaged were probably the least photographed in that area. Only one had much architectural merit. The most valuable thing destroyed was an artificial intelligence research archive. The area had been a hot youthful nightspot, so most other tourists gave it a wide berth.

But this, say the conservers, is the whole point: the area has always been an unplanned hotch-potch. Back in the 17th century, houses lining the steep valley of the Cowgate (along which animals plodded to market) were inhabited by rich lawyers. They moved out in the 18th century and the poor flooded in to be preyed upon by the likes of Burke and Hare, who graduated from snatching freshly-buried bodies to murdering people to supply the demands of university anatomy professors.

By the 19th century, a new street bridged the Cowgate. Shops and offices to line it were heaped up, some on top of old ones below. Slum clearance in the 20th century got rid of most of the people and eventually clubbers moved into the cheap semi-derelict properties.

Now this mess has gone up in smoke, Edinburgh's architects enthuse that something excitingly new could emerge. But since conservationists, thankfully, beat off a 1960s plan for an inner ring-road, the city which nurtured Robert and James Adam's neo-classical Georgian splendours has been gripped by suspicion of the new. Locals carp (somewhat ludicrously) that Lord Foster's housing conversion of the old central royal infirmary will turn a venerable Victorian pile into a boxy Manhattan, and mutter that plans to put shops underneath Princes Street, right in the centre, will insert alien glass walls into adjacent public gardens.

Yet the modernists may still win. On such a difficult site, rebuilding costs are likely to be too high for the current occupants. The old jumble of buildings may be historic; but any business prepared to pay for redevelopment is likely to want something swisher.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Marx's intellectual legacy

Marx after communism

Dec 19th 2002
From The Economist print edition

As a system of government, communism is dead or dying. As a system of ideas, its future looks secure

WHEN Soviet communism fell apart towards the end of the 20th century, nobody could say that it had failed on a technicality. A more comprehensive or ignominious collapse—moral, material and intellectual—would be difficult to imagine. Communism had tyrannised and impoverished its subjects, and slaughtered them in the tens of millions. For decades past, in the Soviet Union and its satellite countries, any allusion to the avowed aims of communist doctrine—equality, freedom from exploitation, true justice—had provoked only bitter laughter. Finally, when the monuments were torn down, statues of Karl Marx were defaced as contemptuously as those of Lenin and Stalin. Communism was repudiated as theory and as practice; its champions were cast aside, intellectual founders and sociopathic rulers alike.

People in the West, their judgment not impaired by having lived in the system Marx inspired, mostly came to a more dispassionate view. Marx had been misunderstood, they tended to feel. The communism of Eastern Europe and the Soviet Union was a perversion of his thought. What happened in those benighted lands would have appalled Marx as much as it appals us. It has no bearing on the validity of his ideas.

Indeed, it is suggested, Marx was right about a good many things—about a lot of what is wrong with capitalism, for instance, about globalisation and international markets, about the business cycle, about the way economics shapes ideas. Marx was prescient; that word keeps coming up. By all means discard communism as practised in the Soviet Union and Eastern Europe (and China, North Korea, Cuba and in fact wherever it has been practised). But please don't discard Marx.

Give the man his due

There seems little risk of it. In 1999 the BBC conducted a series of polls, asking people to name the greatest men and women of the millennium. In October of that year, within a few weeks of the tenth anniversary of the dismantling of the Berlin Wall, the BBC declared the people's choice for “greatest thinker”. It was Karl Marx. Einstein was runner-up, Newton and Darwin third and fourth, respectively. “Although dictatorships throughout the 20th century have distorted [Marx's] original ideas,” the state-financed broadcaster noted, “his work as a philosopher, social scientist, historian and a revolutionary is respected by academics today.” Concerning the second point, at least, the BBC was correct: Marx is still accorded respect.

As a field of scholarship in its own right, admittedly, Marxist political and economic theory is past its peak. By now, presumably, most of the things that Marx meant, or really meant, or probably meant, or might conceivably have meant, have been posited and adequately (though far from conclusively) debated. But a slackening of activity amid the staggeringly voluminous primary sources is not the best measure of Marx's enduring intellectual influence.

Books on Marx aimed at undergraduates and non-specialists continue to sell steadily in Western Europe and the United States. And new ones keep coming. For instance, Verso has just published, to warm reviews, “Marx's Revenge” by Meghnad Desai, a professor of economics at the London School of Economics. Mr Desai argues that Marx was misunderstood and that the great man was right about far more than he is given credit for. In August, Oxford University Press published “Why Read Marx Today?” by Jonathan Wolff. It too is an engaging read. The author, a professor at University College London, is a particularly skilful elucidator of political philosophy. In his book, he argues that Marx was misunderstood and that the great man was right about far more than he is given credit for.

The newly released memoirs of Eric Hobsbawm, the celebrated historian, lifelong Marxist and unrepentant member of the Communist Party for as long as it survived, also deserve mention. The reviews were mixed, in fact, but rarely less than respectful, finding much to admire in the author's unwavering intellectual commitment. Mr Hobsbawm argues...well, he argues that Marx was misunderstood and that the great man was right about far more than he is given credit for.

Adam Smith, one might say, stands in relation to liberal capitalism, a comparatively successful economic order, roughly where Marx stands in relation to socialism. Searches on Amazon.com and other booksellers indicate that titles in print about Marx outnumber books about Adam Smith by a factor of between five and ten. A hard day's browsing of undergraduate reading-lists suggests that, in economics faculties, Smith is way out in front—interesting, given that Marx saw himself as an economist first and foremost. Elsewhere in the social sciences and humanities, the reverse is true. Smith is rarely seen, as you might expect, though in fact there is far more in Smith than just economics; whereas from Marx and his expositors and disciples it seems there is no escape. It is the breadth of Marx's continuing influence, especially as contrasted with his strange irrelevance to modern economics, that is so arresting.

How is one to explain this? What, if anything, remains valuable in Marx's writings? This is not a straightforward question, given that he evidently had such difficulty making himself understood.

Yes, Marx was a Marxist

When he wanted to be, Marx was a compelling writer, punching out first-rate epigrams at a reckless pace. The closing sentences of “The Communist Manifesto” (1848) are rightly celebrated: “The workers have nothing to lose but their chains. They have a world to gain. Workers of the world, unite.” He also had an enviable flair for hysterical invective. At one point in “Capital” (1867-94), he famously defines the subject of his enquiry as “dead labour, that, vampire-like, only lives by sucking living labour, and lives the more, the more labour it sucks.” That is not only unforgettable but actually very apt, if you believe Marx's theory of value. He could express himself brilliantly when he chose to.

In his “scientific” work, he minted jargon at a befuddling rate

Yet he was also capable of stupefying dullness and impenetrable complexity. Try the opening pages of “Capital” (it picks up later). In his scientific work, as he called it, he minted jargon at a befuddling rate, underlining terms to emphasise their opacity, then changing their meaning at will. Adding to the fog, what Marx believed in 1844 was probably not what he believed in 1874: the only constant was his conviction that what he said at any time was both the absolute truth and fully consistent with what he had said before. And most of the published Marx, including the “Manifesto” and volumes two and three of “Capital”, was edited, co-written or ghost written by Friedrich Engels. For many years, therefore, separating Marx from Engels in what the world understands as “Marx” was an academic industry in itself.

Still, four things seem crucial, and most of the rest follows from these. First, Marx believed that societies follow laws of motion simple and all-encompassing enough to make long-range prediction fruitful. Second, he believed that these laws are exclusively economic in character: what shapes society, the *only* thing that shapes society, is the “material forces of production”. Third, he believed that these laws must invariably express themselves, until the end of history, as a bitter struggle of class against class. Fourth, he believed that at the end of history, classes and the state (whose sole purpose is to represent the interests of the ruling class) must dissolve to yield a heaven on earth.

In what ways, then, was Soviet-style communism a deviation from these beliefs, as modern western commentators like to argue? Chiefly, it is said that Russia jumped the gun (forgive the expression). According to Marx's laws of motion, society is supposed to progress from feudalism to capitalism at just that point when feudalism fetters the forces of production, rather than serving them, as it has up to that moment. Later, capitalism gives way in turn to socialism, the dictatorship of the proletariat, and in much the same way—once its productive potential has been fully achieved, so that henceforth its continued existence is an obstacle to material sufficiency rather than a means to it. But Russia went straight from feudalism to socialism. This was too quick. Marx could have told Lenin that it would never work.

Is this really what he would have said? There is no doubt that Lenin saw himself as a true follower of Marx—and he had every reason to. By the end of the 19th century, socialist thought was dividing. Marx's laws of motion were failing. Capitalism still flourished: no sign of the falling rate of profit that would signal its end. The working class was getting the vote. The welfare state was taking shape. Factory conditions were improving and wages were rising well above the floor of subsistence. All this was contrary to Marx's laws.

In response, the left was splitting. On one side were reformers and social democrats who saw that capitalism could be given a human face. On the other were those who believed that Marx's system could be developed and restated, always true to its underlying logic—and, crucially, with its revolutionary as opposed to evolutionary character brought to the fore.

Whose side in this would Marx have been on? Revolution or reform? Would he have continued to insist that the vampire be destroyed? Or would he have turned reformer, asking it nicely to suck a bit less blood? The latter seems unlikely. Marx was a scholar, but he was also a fanatic and a revolutionary. His incapacity for compromise (with comrades, let alone opponents) was pathological. And in the preface to the 1882 Russian edition of the “Manifesto”, his last published writing, Marx hoped that a revolution in Russia might become “the signal for a proletarian revolution in the West, so that both complement each other”; if so, Russia, despite its pre-capitalist characteristics, “may serve as the starting-point for a communist development.” Lenin was surely right to believe that he, not those soft-headed bourgeois accommodationists, was true to the master's thought.

Marx's incapacity for compromise was pathological

Apart from the gulag

Even if Soviet communism was true to Marx's ideas, or tried to be, that would not condemn all of Marx's thinking. He might still have been right about some things, possibly even the main things.

Aspects of his thought do impress. However, his assorted sayings about the reach of the global market—a favourite proof that “Marx was prescient”—are not in fact the best examples. The 19th century was an era of globalisation, and Marx was only one of very many who noticed. The accelerating global integration of the past 30 years merely resumes a trend that was vigorously in place during Marx's lifetime, and which was subsequently interrupted in 1914.

Marx was much more original in envisaging the awesome productive power of capitalism. He saw that capitalism would spur innovation to a hitherto-unimagined degree. He was right that giant corporations would come to dominate the world's industries (though not quite in the way he meant). He rightly underlined the importance of economic cycles (though his accounts of their causes and consequences were wrong).

The central paradox that Marx emphasised—namely, that its own colossal productivity would bring capitalism to its knees, by making socialism followed by communism both materially possible and logically necessary—turned out to be false. Still, Marx could fairly lay claim to having sensed more clearly than others how far capitalism would change the material conditions of the world. And this in turn reflects something else that demands at least a grudging respect: the amazing reach and ambition of his thinking.

But the fact remains that on everything that mattered most to Marx himself, he was wrong. The real power he claimed for his system was predictive, and his main predictions are hopeless failures. Concerning the outlook for capitalism, one can always argue that he was wrong only in his timing: in the end, when capitalism has run its course, he will be proved right. Put in such a form, this argument, like many other apologies for Marx, has the advantage of being

On everything that mattered most to Marx himself, he was wrong

impossible to falsify. But that does not make it plausible. The trouble is, it leaves out class. This is a wise omission, because class is an idea which has become blurred to the point of meaninglessness. Class antagonism, though, is indispensable to the Marxist world-view. Without it, even if capitalism succumbs to stagnation or decline, the mechanism for its overthrow is missing.

Class war is the *sine qua non* of Marx. But the class war, if it ever existed, is over. In western democracies today, who chooses who rules, and for how long? Who tells governments how companies will be regulated? Who in the end owns the companies? Workers for hire—the proletariat. And this is because of, not despite, the things Marx most deplored: private property, liberal political rights and the market. Where it mattered most, Marx could not have been more wrong.

Right in principle

Yet Marxist thinking retains great influence far beyond the dwindling number who proclaim themselves to be Marxists. The labour theory of value and the rest of Marx's economic apparatus may be so much intellectual scrap, but many of his assumptions, analytical traits and habits of thought are widespread in western academia and beyond.

The core idea that economic structure determines everything has been especially pernicious. According to this view, the right to private property, for instance, exists only because it serves bourgeois relations of production. The same can be said for every other right or civil liberty one finds in society. The idea that such rights have a deeper moral underpinning is an illusion. Morality itself is an illusion, just another weapon of the ruling class. (As Gyorgy Lukacs put it, “Communist ethics makes it the highest duty to act wickedly...This is the greatest sacrifice revolution asks from us.”) Human agency is null: we are mere dupes of “the system”, until we repudiate it outright.

What goes for ethics also goes for history, literature, the rest of the humanities and the social sciences. The “late Marxist” sees them all, as traditionally understood, not as subjects for disinterested intellectual inquiry but as forms of social control. Never ask what a painter, playwright, architect or philosopher thought he was doing. You know before you even glance at his work what he was *really* doing: shoring up the ruling class. This mindset has made deep inroads—most notoriously in literary studies, but not just there—in university departments and on campuses across Western Europe and especially in the United States. The result is a withering away not of the state but of opportunities for intelligent conversation and of confidence that young people might receive a decent liberal education.

Marxist thinking is also deeply Utopian—another influential trait. The “Communist Manifesto”, despite the title, was not a programme for government: it was a programme for gaining power, or rather for watching knowledgeably as power fell into one's hands. That is, it was a commentary on the defects and dynamics of capitalism. Nowhere in the “Manifesto”, or anywhere else in his writings, did Marx take the trouble to describe how the communism he predicted and advocated would actually work.

Marx's theory of cattle

He did once say this much: “In communist society, where nobody has one exclusive sphere of activity...society regulates the general production and thus makes it possible for me to do one thing today and another tomorrow, to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticise after dinner, just as I have in mind, without ever becoming hunter, herdsman or critic.” Whether cattle would be content to be reared only in the evening, or just as people had in mind, is one of many questions one would wish to see treated at greater length. But this cartoon is almost all Marx ever said about communism in practice. The rest has to be deduced, as an absence of things he deplored about capitalism: inequality, exploitation, alienation, private property and so forth.

It is striking that today's militant critics of globalisation, whether declared Marxists or otherwise, proceed in much the same way. They present no worked-out alternative to the present economic order. Instead, they invoke a Utopia free of environmental stress, social injustice and branded sportswear, harking back to a pre-industrial golden age that did not actually exist. Never is this alternative future given clear shape or offered up for examination.

Anti-globalists have inherited plenty from Marx

And anti-globalists have inherited more from Marx besides this. Note the self-righteous anger, the violent rhetoric, the willing resort to actual violence (in response to the “violence” of the other side), the demonisation of big business, the division of the world into exploiters and victims, the contempt for piecemeal reform, the zeal for activism, the impatience with democracy, the disdain for liberal “rights” and “freedoms”, the suspicion of compromise, the presumption of hypocrisy (or childish naivety) in arguments that defend the market order.

Anti-globalism has been aptly described as a secular religion. So is Marxism: a creed complete with prophet, sacred texts and the promise of a heaven shrouded in mystery. Marx was not a scientist, as he claimed. He founded a faith. The economic and political systems he inspired are dead or dying. But his religion is a broad church, and lives on.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Barbie

Life in plastic

Dec 19th 2002
From The Economist print edition

Rex Features

No amount of human willpower can defy the might of the pink princess

OF ALL the forces against which resistance is futile, Barbie ranks right up near the top. Any poor innocent who assumed that this piece of anatomically challenged plastic, devised in 1959, had been left on the toy shelf beside other relics of the era is evidently not the parent of a pre-school girl. Cult-like, Barbie draws her flock with a heady mix of marketing, magic and the colour pink. “So you think that if you can keep your daughter out of a pink tutu, she'll have more chance of becoming a brain surgeon? Just try it sometime”, wailed the novelist Allison Pearson recently of her failed effort to withhold the doll from her daughter. She went on:

> One day, in an attempt to stem the toxic tide, I brought home a Scandinavian doll which looked like a Barbie designed by a feminist committee: a wholesome small-breasted individual wearing khaki, she clearly worked at something useful in developing countries. Alas, this poor social democrat never got to meet the Barbies. “It's a boy!” my daughter yelled in horror, before dropping the liberal compromise in the bucket her baby brother reserved for drowning snails.

Just visit one of the secular temples to Barbie that has opened in recent times. Behind the plate-glass façade of the gleaming Toys “R” Us store in New York's Times Square, which opened last year, some 4,000 square feet are dedicated to the pint-sized princess. This shrine is a riot of regulation (and trademarked) Barbie pink, a peculiarly nauseating hue that lies between a garish fuchsia and a medicinal shade of bubblegum. There, the latest Rapunzel Barbie (plus handsome prince) nestles beside old favourites such as Malibu Barbie, not to mention the Barbie lunch box, jewellery box, cruisin' car, mustang convertible, horse-and-carriage, or “Make-me-pretty talking styling head” play set.

American sweetheart

To date, over 1 billion Barbie dolls have been sold. The average American girl aged between three and 11 owns a staggering ten Barbie dolls, according to Mattel, the American toy giant that manufactures her. An Italian or British girl owns seven; a French or German girl, five. The Barbie brand is worth some $2 billion—a little ahead of Armani, just behind the *Wall Street Journal*—making it the most valuable toy brand in the world, according to Interbrand, a consultancy. How is it that this impossibly proportioned,

charmless toy has endured in an industry notorious for whimsical fad and fickle fashion?

Part of Barbie's appeal is that she has become, according to Christopher Varaste, a historian of Barbie, “the face of the American dream”. Barbie is not a mere toy, nor product category: she is an icon. Quite how she became one is hotly debated among the Barbie sorority. Some think she answers an innate girlish desire for fantasy, role-playing and dressing-up. Others that Mattel has simply manipulated girls' aspirations to that end.

Either way, wrapped up in her pouting lips and improbable figure—buxom breasts, wafer-thin waist and permanently arched feet waiting to slip into a pair of high heels—is an apparently enduring statement of aspiration and western aesthetic. She is, according to M.G. Lord, who has written a biography of Barbie, “the most potent icon of American popular culture in the late twentieth century.”

Officialdom has recognised Barbie's iconic status. The Americans included a Barbie doll in the 1976 bicentennial time capsule. Earlier this year, the American government buried her in a “women's health” time capsule, alongside a pair of forceps and a girdle. As an emblem of Americana she is subject to pastiche, derision and political statement. Andy Warhol made a portrait of Barbie, the Campbell's soup of toy brands. An exhibition in London earlier this year displayed “Suicide Bomber Barbie” by Simon Tyszko, a British artist. Her hair was blonde, her hair ribbon red, and around her slender waist was wrapped a belt of explosives, attached to a detonator held daintily in her hand.

An industry has even grown up to deconstruct the meaning of this pint-sized piece of pink plastic. Students can enrol on sociology courses in America with such titles as “From Barbie to Superman: images of gender in popular culture”. There are shelfloads of books and essays about the toy doll, full of insights such as this:

> Barbie represents the sort of contemporary selfhood some see as embattled and others see as liberated. Hers is a mutable, protean, impression-managing, context-bound self whose demeanour shifts from situation to situation and role to role... Her personality is inchoate, even ethereal; her morals and values are more implicit than expressed or affirmed; her intimate life—her dreams, her passions, her abiding attachments—remains a mystery.

Barbie has not colonised girls' imaginations by accident. Mattel has dedicated itself to promoting Barbie as “a lifestyle, not just a toy”. In addition to selling the dolls, Mattel licenses Barbie in 30 different product categories, from furniture to make-up. A girl can sleep in Barbie pyjamas, under a Barbie duvet-cover, her head on a Barbie pillow-case, surrounded by Barbie wall-paper, and on, and on. There are Barbie conventions, fan clubs, web sites, magazines and collectors' events. “She's so much more than a character brand,” enthuses a Mattel publicity person, “she's a fashion statement, a way of life.”

Most fashion statements made by a 43-year-old woman might be met with scorn. But the secret of Barbie's eternal youth is reinvention. “The brilliance of the brand is that she's a reflection of society as it changes,” says Adrienne Fontanella, head of Mattel's girl division. “From a fashion perspective, she's always right there with the latest trend.” Every year, Mattel devises about 150 different Barbie dolls, and designs some 120 new outfits. She acquired a mod look in the 1960s, and tie-dyed clothes and a hippie headband in the 1970s. Over the years, she has worn her hair in a ponytail, bubble cut, page boy, swirl and side-part flip. “It is a business-school case study in innovation,” says Dan Jansen, at the Boston Consulting Group.

Moreover, Mattel has moved with the times, continually pumping out new messages about women as if to keep its critics at bay. Barbie is no bimbo, it appears. From her early days as a teenage fashion model, Barbie has appeared as an astronaut, surgeon, Olympic athlete, downhill skier, aerobics instructor, TV news reporter, vet, rock star, doctor, army officer, air force pilot, summit diplomat, rap musician, presidential candidate (party undefined), baseball player, scuba diver, lifeguard, fire-fighter, engineer, dentist, and many (many) more. “Barbie as Rapunzel”, a computer-animated video, was tipped as one of the top-selling toys this Christmas.

Vinyl vamp

If Barbie appeals because she embodies an American ideal, however, it is the nature of that ideal that so exasperates her critics. They fall crudely into two groups: the “Barbie is the face of wicked American imperialism” camp; and the “Barbie corrupts young girls with shallow messages that promote style over substance” lot.

The first group blames Barbie for promoting rampant consumerism and Americanisation. Naomi Klein, author of “No Logo”, lumps Barbie in with MTV, Coca-Cola and Disney as perpetrators-in-chief of American corporate expansionism. Like all toy makers, Mattel has also received its share of complaints about its third-world factories (it has no plants in America). Fair-trade activists have in the past protested about the conditions in such places—and secured improvements to them.

Barbie is charged too with glamorising the white all-American ideal. She may have her African-American, Hispanic and Asian sisters, introduced by Mattel as early as the 1960s, but Barbie's hold on the imagination is as a white, blue-eyed blonde. Indeed, in Iran earlier this year, there was a crackdown on street-sellers trading in this emblem of decadent western culture. Certainly, Mattel's efforts to introduce an international flavour to its dolls border on pastiche. India Barbie, for instance, launched in the 1980s, came in a box stating that most Indians “eat with their fingers, not silverware”.

The second lot of critics deplore Barbie for preaching the supremacy of appearance. Girls, they urge, should be out climbing trees and riding bikes, not plaiting Barbie's hair. Mattel thrives on girls' desire for endless new costumes for their dolls. For all the astronaut and army outfits, it is the silky stuff they love. Words like “elegant”, “glamorous”, “romantic” and “beautiful” pepper Mattel's marketing literature. Dressing and undressing, brushing and grooming, is what Barbie is all about.

More than this, Barbie has joined the gallery of rogues—alongside supermodels, women's magazines and the advertising industry—held responsible for teenagers' weight anxiety, and women's body complexes. The doll, says Mary Rogers, a professor of sociology at the University of West Florida and author of a book on Barbie, “belongs to that chorus of voices extolling not only slimness but also beauty and youthfulness as requisites of feminine success.” Naomi Wolf, author of “The Beauty Myth”, argues that Barbie shares the blame for the fact that girls are raised with a clear expectation of what a sexually successful woman should look like. The “official breast”, Ms Wolf once said, was “Barbie's breast”—and shame on any girl who failed to possess or acquire one.

Indeed, Barbie's preposterous figure would almost cause a grown woman to topple over. Her origins hint at the reason for this. The doll was modelled by Ruth Handler, who founded Mattel along with her husband, Elliot, on a German toy for adult men called Lilli. Mrs Handler discovered this 11½-inch plastic doll while visiting Germany, and named her adapted version after her daughter, Barbara.

Naturally, there are periodic uprisings against Barbie. In the early 1990s, Mattel released a series of talking Barbies, one of which cheeped “Math class is tough”. Feminists were irate. A New York group calling itself the Barbie Liberation Organisation swapped the voice boxes inside such dolls with those from GI Joe, a male doll made by Hasbro, a rival toymaker, and slipped them back on the toy-shop shelves. The re-educated Barbies bellowed muscular lines such as “Vengeance is mine!”, while the boy dolls chirped “Let's go shopping!”

Activists swapped Barbies' voice boxes with GI Joes'. The Barbies bellowed “Vengeance is mine!”, while the boy dolls chirped “Let's go shopping!”

Other detractors turn to art. There is a whole world of anti-Barbies, devised for reasons of protest and humour. Among the exhibits that have gone on display are Exorcist Barbie, Drag-queen Barbie and Sweatshop Barbie—much to the exasperation of Mattel, which guards its creation's image with ferocity.

When Aqua, a one-time Danish pop group, released a song in 1997 called “Barbie Girl”, for example, Mattel promptly took the band to court. Lines included “Life in plastic, it's fantastic” and “I'm a blonde bimbo girl, in a fantasy world.” Earlier this year, a judge in San Francisco ruled against Mattel, upholding the group's right to freedom of expression. Nobody, added the judge, would have assumed that Mattel had authorised the lyrics: “Nor, upon hearing Janis Joplin croon ‘Oh Lord, won't you buy me a Mercedes-Benz', would we suspect that she and the car maker had entered into a joint venture.”

Pint-sized, pink and plastic

But is Barbie as bad for girls as her critics imply? When Barbie first burst into the toy shops, just as the 1960s were breaking, the doll market consisted mostly of babies, designed for girls to cradle, rock and feed. Such toy babies had swept aside the finely dressed Victorian adult dolls, which were still popular into the early 20th century, and had dominated the doll market since.

Magnum

Look, no nipples

Barbie, by contrast, was a go-getting, independent young woman. By creating a doll with adult features, insisted Mrs Handler, Barbie's creator, Mattel enabled girls to become “anything they want”. A child of the liberated times, she was an astronaut in 1965, a surgeon by 1973, a presidential candidate in 1992. Barbie, claims Mattel, “has opened new dreams for girls that were not as accessible in the early 1960s.” So Barbie empowers girls after all?

The research, such as it is, does not tell whether Barbie fans turn into brain surgeons, but it does seem to reject at least the idea that Barbie squashes the imagination. One study observed that four-year-old girls snatched and bickered more while playing with toy babies than they did with Barbie dolls. Barbie, this study concluded, promoted dramatic play and language development. A separate set of interviews with adults who played with Barbies in childhood concluded that what mattered to them in retrospect was “opportunity” and “human connection”, not concern about looks.

Ultimately, it is impossible to prove whether Barbie is a more potent force than any other product of western consumer culture. Indeed, if anything, sociologists have spent more time examining the weird sub-cultures and behaviour that Barbie seems to have provoked than the role she has in gender stereotyping.

One such is the apparent ambiguity of her sexuality. With her skimpy zebra-striped swimsuit, Barbie caused a stir at her launch in the late-1950s. Many condemned the doll as sleazy and provocative. Yet Barbie and her boyfriend Ken, who joined her in 1961, remain curiously sexless. Barbie has no nipples; Ken's anatomy consists of a bump between his legs. There is, asserts the University of West Florida's indefatigable Ms Rogers, “the possibility that Barbie may not be heterosexual. Indeed, she may not even be a woman. Barbie may be a drag queen.”

Barbie also seems to have turned into something of a gay icon. Barbie attracts a huge following among adults, for whom collecting is a serious business (a vintage Barbie can fetch nearly $10,000). Steven Dubin, a sociologist, claims that many of these male collectors are gay. He describes their two-step coming out: “First they disclose their sexuality. They later profess their love for Barbie.” A study by an American psychiatrist into homosexuality suggested that all the boys he classified as “feminine” played with Barbie, according to their parents; for nearly a fifth of them, she was their favourite toy. Only two-fifths of the “masculine” boys were reported as playing with Barbie even occasionally.

Academics have even tried to theorise about another less-publicised, but apparently widespread, feature of the doll: Barbie mutilation. “Barbie torture”, according to one researcher, “commonly involves tearing her head off, ripping her limbs out, and burning her hair off.” One male interviewee in a study confessed that “When one day I was mad at my sister, I grabbed her Barbies and burnt all of their hair off and cut their bodies with sharp knives.” Another remembered that “I used to have a beheaded Barbie in my fish tank with my dog's toy shark and my goldfish.” Some suggest this could represent innate male violence towards women; others that it reflects female resistance to an impossible ideal. Others point out that the plastic dolls are just cheaply made.

Fashion queen

Whatever sociologists say about the diminutive diva, however, Mattel's concerns lie primarily elsewhere. Last year, global sales of Barbie, which supplies nearly a third of Mattel's revenue, fell by 3%, to $1.6

billion, from a peak in 1997 of $1.8 billion. The main trouble is what is known in the industry as “age compression” or “KGOY”: kids getting older younger. Girls now grow out of traditional play patterns, such as playing with dolls, earlier than they did in the past.

There was a time when even a 12-year-old might still be playing with Barbie. Today, the prime audience is three to five. Yet, as Rita Clifton, chief executive of Interbrand, puts it: “Barbie has a particular challenge: if she's something your little sister wants, you'll consider her too babyish.”

The toy company's answer has been twofold. First, it is introducing more brand extensions—in effect, more Barbie paraphernalia to tempt the tinies. “Barbie in the Nutcracker”, for instance, Mattel's first computer-animated video, generated $150m from sales, including associated products. For the second, “Barbie as Rapunzel”, Mattel increased from eight to 14 the number of product tie-ins. A third, “Barbie in Swan Lake”, is in the works. Mattel's plan, ghastly as it may be for defenceless parents, is to invade every corner of a little girl's life. “I like to think of the brand as the Calvin Klein for girls,” says Mattel's Ms Fontanella.

The second strategy is to segment the market. Adapting Barbie for the older, savvier girls, however, is tricky, not least because of competition from cosmetics, music, fashion and—to a lesser extent than for boys—electronic games. Mattel knows full well that it can only stretch so far the Barbie brand beloved of little girls to their older sisters. One variation, launched recently, is “My Scene”: this groups three dolls, Barbie being one, but has a hipper look. Mattel expects to develop perfume, cosmetics and music under this brand.

In many ways, it is fitting that Barbie is venturing out to the edgy fringes of the fashion industry. For the entire toy industry is driven by fashion these days. Toys are swept from the shop shelves one year, only to be forgotten by the next, discarded in the recesses of the toy box. Creating children's classics that endure, and turning them into profitable franchises, is the holy grail of the toy business. In that regard, Barbie has few peers. She could topple Spider-man and Action Man with one swing of her dainty handbag. Fashion may undo her rivals. Barbie just remakes fashion.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Texas

The future is Texas

Dec 19th 2002 | AUSTIN, DALLAS AND LAREDO
From The Economist print edition

Alamy

If you want to see where America is heading, start by studying Texas

FOR the past century, the history of the United States has been written by a succession of mega states. New York pioneered New Deal liberalism. Michigan pioneered mass production and giant trade unions. California was the incubator of the Reagan and high-tech revolutions. Today, American history is being shaped by a giant south-western state that is best known for its cowboys and oil barons.

George Bush's White House is Texan-occupied territory. Another Texan, Tom DeLay, lords it over Capitol Hill, as House majority leader. The most important business story of the past couple of years starred a Texan company, Enron.

The importance of Texas is partly a reflection of its sheer size and dynamism. It is the second-most-populous state after California, and the second-fastest-growing mega-state after Florida, having doubled its population since 1960. Texas is one of the few states importing people both from within America, and without. The state's wide open spaces and light regulations have made it a business magnet. Corporate giants such as American Airlines and J.C. Penney, a retailer, have moved their headquarters there. Austin, the state capital, is the fastest-growing high-tech cluster in the country.

The state also owes its importance to the fact that, in many ways, it has arrived at the future first. Texas led the charge away from the Great Society (introduced by a Texan, Lyndon Baines Johnson) to today's conservative Republicanism, with its enthusiasm for business, religion, rolling back the state, muscular nationalism and open borders. Texas, together with California, is also pioneering the Latinoisation of America. Latinos already make up 32% of the state population, a share that is rapidly growing. The state has far more affinity with Mexico than far-away Europe.

A star apart

The prospect of a Texan-fried future is unlikely to be greeted with universal joy, however. Many people regard the state as synonymous with serial executions and vulgar ostentation, with Old Sparky and J.R. Ewing. During the 2000 presidential campaign, the Democrats lambasted Mr Bush as a “Toxic Texan” who wanted to impose his state's cowboy capitalism and yahoo values on the rest of the country.

But what exactly is Texas, this state that is playing such a vital role in shaping America at the height of its power?

Before answering this question a couple of caveats should be observed. The first is that Texas is changing fast. A state that was once rural is now largely urban, home to three of the ten biggest cities in the country. A state that was once dependent on commodities now boasts a highly diversified economy. The oil industry has branched out from simply extracting oil from the ground to selling highly sophisticated skills around the world. Booming high-tech companies such as Dell, EDS and Texas Instruments are sucking in highly educated professionals from across the country. Michael Lind, a fellow of the New America Foundation, a think-tank, and the author of a forthcoming book on his native state, says that Texas is transforming itself from Mississippi into California.

The second caveat is that the state is highly diverse. Bits of eastern Texas are indeed like Mississippi. The Dallas-Fort Worth area is thoroughly mid-western—the place, as Will Rogers, the legendary cowboy-turned-Hollywood-star, put it, where the east peters out and the west begins. Border cities like Laredo are as much Mexican as American. In El Paso, it almost never rains. Houston gets an average annual drenching twice as heavy as London.

For all that, you know you're in Texas when you're in Texas. From Austin's swanky Driskill hotel, whose bar seats are made of cowhide and walls are decorated with images of cowboys and wagon trains, to the grotty border towns, where Mexicanos walk around in ten-gallon hats; from the high-rises of Dallas, where businessmen wear cowboy boots and string ties, to the 100,000-acre (40,500-hectare) ranches where ranchers use small aircraft to visit neighbours, there is something utterly distinctive about the place. In the land of the bland, Texas retains its unique flavour.

Texas has an almost national sense of identity. Texans love to boast that their state was an independent nation before it joined the union: that for nine glorious years (1836-45), Texans had their own army, navy, currency and foreign policy. The lone star symbol is stamped into the concrete of the state freeways. The injunction “don't mess with Texas” is ubiquitous.

Violence is not limited to the military variety. Texas was tamed by gun-wielding cowboys and remains thoroughly marinated in the gun culture

So what is Texas? The simplest answer is that it is America on steroids. Think of the characteristics that make America distinctive—its size and diversity, its optimism and self-confidence, its crass materialism and bravado, its incredible ability to make something out of nothing—and they exist in their purest form in Texas. Marshall Wittmann, of the Hudson Institute, says that his native state is America's America: the place where Americans go when they need a new start and a fresh opportunity. “You can go to hell,” Davy Crockett declared when his political career collapsed in Tennessee: “I'm going to Texas”.

The sheer size of Mr Crockett's adopted state—Texas is almost as big as Britain and France combined—has an effect on the mindset. Size promotes a slash and burn attitude, for instance, to the environment, an outlook reinforced by the fact that so much of the state is physically nondescript: a collection of tedious plains, vast deserts and anonymous scrublands. Intensive cotton-growing ruined the soil of riverbeds. Overgrazing ruined the prairie soil. Oil speculators left ghost towns and pools of pollution in their wake. This is a land that breeds a tough-minded respect for man's ability to master nature, the opposite of the namby-pamby environmentalism that flourishes in Europe's compact cities and beautiful countryside.

Size goes along with a swaggering boastfulness. This boastfulness seems to be encoded in the American DNA: the prospectuses that persuaded Elizabethans to invest in the Massachusetts and Virginia companies were full of tall tales about the New World. But Texas has perfected bigger-and-bestest-of-everything braggadocio. Joel Kotkin, of Pepperdine University, provocatively compares California to a beautiful blonde who knows that the men will come running, while dowdy old Texas has to try that much harder.

Yet Texans have a gift for turning their boasts into reality. Dallas's gleaming towers arise out of a featureless plain. Houston has built a sophisticated civilisation on a steaming and mosquito-infested swamp. Fort Worth, a former cow town, has some of the most charming museums in the country. The state's motto might as well be “Let's get the dirt flying”.

Texas is a land of buccaneering capitalism: of wildcatters who made fabulous fortunes out of holes in the ground, and Potemkin firms that became the toast of the town, like Enron. It has produced some remarkable rags-to-riches stories: think of C.M. “Dad” Joiner, a 71-year-old wildcatter who sank his last dollars into a makeshift drilling-rig and hit oil at 3,600 feet, or the extraordinary Hunt dynasty, started by H.L. Hunt, a notorious bigamist who became one of the world's richest oil men.

But it has also produced a rather immature attitude to wealth. Mr Lind argues that the state's “gusher elite” practises a form of capitalism that is closer to gambling than to Max Weber's Protestant ethic. Texas is famous for its mega-mansions, spectacular balls and its Neiman Marcus catalogue, which has offered such items as “his and her” giraffes and submarines. It is also famous for boom-bust cycles and speculative bubbles. The oil boom, which once made Texas the world's biggest producer of oil, went bust in the 1980s, a decade that also saw the real-estate bubble burst and the Savings and Loan industry implode. Today, the state is struggling with both the collapse of Enron and the puncturing of the high-tech bubble.

If Texas is generous to the successful, it is equally hard on the unfortunate

If Texas is generous to the successful, it is equally hard on the unfortunate. This is a land of low taxes, weak trade unions, a shrivelled public sector and a paltry welfare state, all of which ensure that plenty co-exists with poverty. Houston's shimmering towers and malls sit next to festering slums, with unpaved streets and shot-gun shacks; the city's world-class medical centre squats atop a health-care system that fails to reach the state's poorest citizens. The University of Texas boasts a star-studied faculty and the second-largest endowment after Harvard, with 21m acres of oil-fields to its name. But Texas also has some of the worst schools in the country.

Texas is arguably the most militaristic state in the union, the heir to the South's military tradition and the beneficiary of federal largesse that has left military bases dotted around the state. The San Antonio region is the living embodiment of the military-industrial complex, with an army base, two air-force bases, a huge army medical centre, dozens of defence-related firms and a big community of military retirees. Fort Hood, near Waco, is the army's second-largest base. The 16,000-acre Pantex plant in west Texas secretly assembled thousands of nuclear warheads during the cold war, and now maintains what remains of America's nuclear arsenal.

Violence is not limited to the military variety. Texas represents the confluence of the two most violent areas in the country: the South and the frontier. Texas was tamed by gun-wielding cowboys and remains thoroughly marinated in the gun culture. This is the state where Lee Harvey Oswald assassinated John F. Kennedy, and where a former marine, Charles Whitman, stood on the observation deck of the University of Texas Tower and fired his rifle for an hour and a half, killing 14 and injuring 31. In 2000, George Bush's last year as governor, the state executed 40 people. Today, 452 people are languishing on Texas's death row, 12% of the country's total.

Deceptive appearances

All this suggests that Texas is a fairly simple place to grasp. But the longer you spend there, the more complicated it becomes. Those seemingly straightforward Texans turn out to be profoundly ambivalent on all sorts of vital issues.

Take government. Freedom-loving Texans have taken lots of measures to tame the government beast. The state legislature is in session only for six months every two years. Legislators are paid only a nominal sum. The governor does not even have the power to appoint his cabinet. Texas's minimalistic attitude to government is embodied in one of the Texas Rangers' favourite mottoes: “one riot, one ranger”.

Yet the Lone Star state owes as much to Washington as anywhere else does. Federal government money has helped to transform a rural backwater into a high-tech leviathan, starting with hydro-electric power in the 1930s, intensifying with the space programme in the 1960s, and continuing with today's huge military build-up. The reason that the first word spoken on the moon was “Houston” is that Texas is so skilful at wielding political power.

Sam Rayburn, raised in hardscrabble farm country along an unnavigable river, held the Speakership of Congress for almost 20 years—longer than anybody else—and crafted much of the New Deal legislation. Lyndon Johnson, from backward hill country, was arguably the most powerful senator America has ever produced. Between 1964 and 2000, Texas supplied three elected presidents (Johnson and the two Bushes), two vice-presidential candidates (George Bush senior and Lloyd Bentsen), and the most successful third-party candidate since Teddy Roosevelt (Ross Perot).

Texan politicians have a genius for burying party differences when it comes to helping their native state, a talent that has survived the Republican takeover. Phil Gramm, a fiscal conservative who held LBJ's senate seat until his recent retirement, liked to say: “I'm carrying so much pork, I'm beginning to get

trichinosis." Were Congress ever to approve a daft programme such as manufacturing cheese on the moon, he says, he would try to make sure that the milk came from Texan cows and the "celestial navigation system" was developed in a Texan university.

This points to a second source of ambivalence: individualism. Texans pride themselves on preserving this American tradition—and its economic partner, entrepreneurialism—in its purest form. Who but a larger-than-life individual would have the guts to settle in such unforgiving land? The state's most successful politicians have all been outsized characters, people who combine good ol' boy charm with cunning and eccentricity: Bob Bullock, the lieutenant-governor who married five times, or Mr Perot, or, of course, LBJ.

But Texans also have a strong collectivist streak, seen in their obsessive loyalty to their football teams, in their fondness for fraternities, and in the intense rivalry between the state's two leading universities, the University of Texas and Texas A&M. The Texas business oligarchy is one of the clubbiest in the country, forever working behind the scenes to fix problems, organise civic projects and win one for Texas.

The state's business and political elites are hopelessly intertwined. Politicians have always had a habit of getting rich: LBJ somehow ended up owning the state's most lucrative media contracts. And business people have always had a knack of backing the right politicians, or winning the most lucrative government contracts. Mr Perot, for example, was America's first welfare billionaire, thanks to a contract that allowed him to computerise the country's social-security system. The oil and gas industry mastered crony capitalism long before Ken Lay came along. Generations of congressmen spent their careers protecting the industry's perks and tax breaks, and generations of oilmen set as much store by cultivating goodwill in Washington as prospecting for oil.

George Bush is thus a perfect embodiment of this Texas tradition: a man who loves to talk about individualism and entrepreneurship, but owes much of his fortune to the helping hand of fellow members of the Texas elite, and is less interested in promoting competition than in cutting deals with powerful business interests.

The outsiders

There is much to disapprove of in all this. But before writing off the Texification of America, it is worth reflecting on a few of the state's more appealing qualities.

Alamy

Perfect spot for a mansion or two

The most attractive is openness. This has always been an export-based economy, with first cotton, then energy and now high-tech linking it to global markets. It has always lured outside capital and talent. Texas has taken the East Coast Bush family to its heart because their story of transplantation is so typically Texan.

The enthusiasm for openness has been reinforced by NAFTA, a project masterminded by Texans of both parties, notably Lloyd Bentsen and George Bush senior, and which has helped to transform the state's 1,250-mile (2,000-kilometre) border with Mexico from a potential problem into an opportunity. Fully 70% of America's exports to Mexico go through Texas. More than 3,000 *maquiladoras* have sprung up along the border, and twin towns, such as El Paso-Juarez and Laredo-Nuevo Laredo, exist in a mutually beneficial symbiosis. The World Trade Bridge between Laredo and its Mexican twin is one of the world's busiest, with 9,000 trucks crossing a day.

This openness is increasingly cultural as well as economic. Texas has a terrible tradition of racism, to be sure, which led it to side with the Confederacy, pass Jim Crow laws and nurture the Ku Klux Klan, but that tradition is fading fast. Instead, Texas is enthusiastically mixing all sorts of cultures—from the South, south-west and the other side of the border—into a distinctive blend. In Laredo, newly rich Latinos put on debutante balls for their daughters, borrowing from an old southern tradition. In Austin, one of the liveliest music towns in the country, Tejano musicians mix country and western with Mexican music.

The Texas Republican Party has thrown in its lot with openness, thanks in no small part to the Bush dynasty. The party refused to engage in the immigrant-bashing that eventually condemned the Californian Republican Party to irrelevance. Indeed, George Bush was a frequent visitor to Mexico, and an enthusiastic, if imperfect, speaker of Spanish. The party also successfully got rid of affirmative action

while holding out a helping hand to poorer people, offering places at state universities in Texas to the top 10% of students from every school. The Texan GOP's national ascendancy has thankfully condemned more xenophobic Republican traditions to the wilderness, not least the isolationist tradition that flourished in the mid-west.

The other admirable feature of Texas is its incredible creativity—its ability to make something out of nothing, and to reinvent itself when times get tough. Texas had few natural resources to recommend it until a wildcatter struck oil in Spindeltop in 1901. Stephen Austin, an early coloniser, called it “a wild, howling, interminable solitude”.

Most of the land is inhospitable. The Gulf Coast is humid, mosquito-ridden and plagued by torrential rains. The west is desert. The border country is hardscrabble. The plains in the north are racked by winds. But Texans have managed to turn this unwelcoming piece of the earth into a civilised home, taming the heat with air-conditioning and populating the desert with office buildings and mansions.

The ability of Texans to impose their will on a hostile environment is indeed remarkable. For all its ingenuity, though, the state will soon face rather more sophisticated tests. Can it deal with its legacy of pollution, poor planning and growth-at-any-cost? Can it tame its fearsome and often barbaric prison system? And can it do this without losing the will and energy that have made it such a creative place?

The real test for Texas will not be whether it can play a leading role in shaping America—and so the world. That much is already encoded in demographic and economic trends. It will be whether Texas can become a better place in the process.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Christianity

The fight for God

Dec 19th 2002 | CHAPEL HILL, NORTH CAROLINA; LYNCHBURG, VIRGINIA; SPRINGFIELD, MISSOURI

Rex Features

Traditional churches are in trouble. But Christianity is doing rather well

DO YOU believe in God? If you are European, you probably shuffle your feet, look mildly embarrassed, and mutter, “Well, it depends on what you mean by God.” Or something of the sort. In Western Europe, a mere 20% of people go regularly to a service; in Eastern Europe, only 14%. But if you are American, the answer is almost certainly an unabashed “Yes”. Only about 2% of Americans are atheists, and a startling 47% tell pollsters that they go to a religious service at least once a week. Even if that is an over-statement, the broad difference between continents is clear.

To most Europeans, it has seemed obvious for the past century and more that modernism is the foe of religion, and of Christianity in particular. But religion is flourishing in both the developing world and America. The reason is largely the powerful evangelism of new denominations that sprang up in America in the 19th and early 20th centuries.

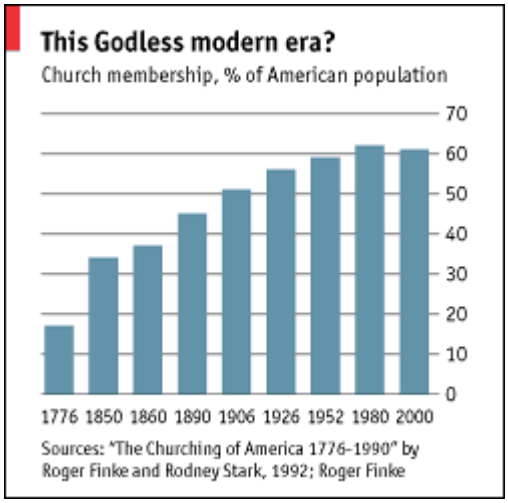
How has this come about? The answer lies in the unique history of religious experience in the United States, in the adaptive genius of Pentecostalism, and in the power of the fundamentalist Christian message in an era of rapid social change. Moreover, as fundamentalist Islam has moved back into the limelight, so too has the political role of Christian organisations in America. Some believe the true power of both to have peaked. None, though, can deny their current prominence.

Take ye the sum of all the congregation

Counting believers is difficult. The world's Christian churches claimed some 2 billion adherents in 2000, up from 1.2 billion in 1970, which is roughly in line with population growth, but still leaves Christianity a larger faith than Islam. In America, the number of Christians rose from 81m in the early 1950s to 171m in 2000. Over the last two centuries, the proportion of Americans belonging to a church has grown sharply (see chart).

But not all denominations have done well. A survey by the Glenmary Research Centre of Cincinnati, Ohio, found impressive increases in the past decade in the number of Mormons, Catholics and non-traditional Protestant churches such as the Pentecostalists and the Southern Baptists. The losers were traditional churches such as the Lutherans, Episcopalians, Methodists and

Presbyterians. Catholics apart, Americans are fleeing in droves from the churches with set liturgies, organ music and ministers in robes, and towards those that offer fiery preaching, noisy music and telegenic men in suits.



Go to a Sunday service at the Thomas Road church in Lynchburg, Virginia, and it is easy to see the attraction. When you arrive, joining a congregation of 2,000 or so smartly dressed Americans, Jerry Falwell, a well-known television evangelist, is dedicating babies. Lines of parents and grandparents offer their bundles. The genial Mr Falwell, his face smoothed with television make-up, reads out each infant's name and date of birth, and the names of the rest of the family. “Can we get that little face right on camera?” he asks.

After this celebration of the nuclear family comes the service itself. Cheerful and easy to follow, the first half is full of music, accompanied by a jazz orchestra and a swaying, blue-robed choir of perhaps 100, who whack their way through such evangelical favourites as “The Old Rugged Cross”. Then a young man, bleach-blond and clean-cut, takes the microphone and croons his way through a song about love—God's love, as it happens, though it might go down equally well at a nightclub.

Mr Falwell's sermon fills the second half-hour and pauses bang on time: a whirring digital clock tells him when the live television coverage will switch to the commercial break. The sermon is deftly structured, the points repeated on a vast screen above Mr Falwell's head. The emphasis is on the basic doctrines of Christianity. At the top, he puts the infallibility of scripture.

Even faster-growing are churches such as the James River Assembly in Springfield, Missouri. It is part of the Assemblies of God, whose membership grew by more than 16% between 1990 and 2000. These are mainly white Pentecostalists (black Pentecostalists tend to adhere to a separate body, the Church of God in Christ). At the headquarters in Springfield, Brother Thomas Trask, one of the bigwigs, sits in a vast wood-panelled office, looking like a prosperous mid-western executive. The Pentecostalists' selling point is their tradition of “speaking in tongues”: babbling nonsense when the spirit moves them.

Pentecostalists are also keen on the literal truth of scripture, on strict morality and on sending out missionaries to convert others. They believe in tithes, too: that is, in coaxing the faithful to hand over a tenth of their incomes. “You can tithe net or gross,” says Brother Trask, helpfully. Missionary work absorbs much of the church's money: $178m last year.

A snapshot of American congregations in “Faith Communities Today”, published earlier this year, shows how universally this sort of mix seems to work its magic. It found that congregational growth went hand-in-hand with “clarity of mission and purpose”, with the use of electronic music, with an emphasis on abstinence from pre-marital sex and with a strict sense of morality among worshippers.

For the traditional churches, this recipe for success is exasperating. “Why does it take my denomination 20 years to build a church of 300 people,” wonders Ronn Garton, a retired Presbyterian minister in San Diego, “when some of the newer churches can build one of 3,000 in two to three years?” Many decide that, if you can't beat 'em, learn from 'em. Robert Mooty is pastor at Timberlake Christian Church, a form of Congregationalism, not far from Mr Falwell's vast edifice. He has increased his flock by starting a relaxed family service, in a room with chairs and a synthesiser rather than the main church's pews, organ and Isaac Watts hymns.

Alamy

Beats booze and fornication

In all this, America differs starkly from Europe, where religion is often what Grace Davie of Britain's Exeter University describes as a “public utility”. As she puts it, “In Europe, there is a concept of ‘vicarious religion': of a small number worshipping on behalf of everyone else.” Americans find Europe's secularism bizarre. “My American friends' eyes stand out on stalks when I say that I don't have a single friend seriously interested in religion,” says Karen Armstrong, an ex-nun and the author of several books on religion.

But in America, religion has always been a competitive affair, founded on personal belief. In “The Churching of America 1776-1990”, Roger Finke and Rodney Stark point out that, because America was settled by people opposed to state-supported religion, there was never a monopoly, one-size-fits-all faith. Instead, churches have always had to vie for devotees. They have done so in much the same way that firms attract customers: by tailoring their product to suit a particular niche in the market. New churches can spring up easily. Their preachers have often had relatively little education but lots of energy and drive. However, once a church becomes established, with a hierarchy and a trained ministry, its clergy acquire theology degrees, often losing the raw certainty of their faith in the process.

The authors argue that the most successful churches have always been those that preach traditional doctrines and make tough demands on their members. The Methodists, for example, flourished in the 19th century, when they were seen as an extremist sect. With subsequent respectability, however, has come decline. The same holds for other churches that have modernised and compromised.

The reason, the authors argue, is that “religious organisations are stronger to the degree that they impose significant costs in terms of sacrifice and even stigma upon their members.” Religion, they explain, is a collectively produced good, partly because people are more willing to accept the risks involved in pursuing benefits that arise only in the hereafter if others around them have accepted the same deal.

But the problem with any collectively produced good is the free rider—in the case of (especially European) religion, the church members who turn up only at Christmas and Easter, leaving the pews discouragingly empty in between. The answer lies in demanding a sufficient level of sacrifice to chase away free riders and to motivate the faithful to pitch everything into their church life. If they cannot drink alcohol, play cards or take drugs, they may find the social life at church more appealing. And a congregation of whole-hearted devotees gives everyone greater spiritual rewards than a half-empty churchful of sceptics.

Although some may dislike the idea that faith can be analysed as an economic good, there is no doubt that the most successful churches are also the ones that require a lot of their members. Mr Falwell, like many popular conservative preachers, has set up a university, where students only recently won the right to wear Bermuda shorts, and are still not allowed to watch unwholesome movies.

Spreading the word

Success in America breeds a desire to spread the word abroad. Battalions of American missionaries now live and work in some of the roughest countries on earth. Two churches have been especially active. The Mormons send out more than 50,000 missionaries a year and are now more numerous outside the United States than in it. “They are the McDonald's of the religious world,” says Laurie Maffly-Kipp of the University of North Carolina at Chapel Hill, who studies them, “in the sense of a complete standardisation of what is taught everywhere in the world.” They offer an essentially American package, that appeals wherever families aspire to join an Americanised middle class.

The other great missionary success is that of the Pentecostalists, whose strategy is the opposite of the Mormons'. As Harvey Cox of Harvard University explains in his book, “Fire from Heaven”, they have a faith based on spiritual experience, rather than doctrine. That has helped them to adapt brilliantly to local religious tastes. As a result, he says, they have become the fastest-growing Christian movement on earth, with more than 400m adherents—one in every four Christians. They have been hugely successful in South Korea, where the largest Christian congregation in the world is Pentecostal, and in Brazil, where they contributed to the recent election victory of Luiz Inacio Lula da Silva.

One other reason for the success of non-traditional Protestant churches, especially in Latin America, is the social benefits they bring. James Grenfell, an Anglican curate who studied these churches in Guatemala, noticed that women were especially attracted to their emphasis on thrift, punctuality and honesty, and to their hostility to domestic violence, gambling and booze. Get the husband to come along, and before you know it, the whole family has enough to eat. On one guess, he reports, 400 Latin Americans an hour leave the Catholic church to become Protestants.

Immigration has long provided a steady flow of new Catholics into the rich world. Now, the non-traditional faiths are being carried back into rich countries by immigrants from the countries where America's missionaries have worked. One result: there are twice as many Pentecostal congregations as Church of England ones in the east end of London, an area with many immigrants.

Not all Pentecostalists are fundamentalists; nor are all evangelicals. Wade Clark Roof, chair of religious studies at the University of California at Santa Barbara, characterises them thus: “fundamentalists emphasise what you believe; Pentecostalists, what you feel; and evangelicals, sharing the message.” Mapping non-traditional religion in America is made harder by the diminishing importance of the label on the door. “American religion is increasingly non-denominational,” says Stephen Warner, a professor of sociology at the University of Illinois at Chicago.

However, many non-traditional churches share a bunch of beliefs, some of which have political ramifications. Most arise from an insistence on scriptural infallibility. This is the basis for some Christians' rejection of Darwinian evolution. Fundamentalists make much of the fact that evolution is “only” a theory, as if the word meant “guess”, and had no more scientific validity than the dogma of creationism. In fact, all scientific explanations are described, by scientists, as theories. This does not diminish their power to explain.

Earlier this year, 2,000 people in Cobb County, a suburb of Atlanta, signed a petition asking the local school board to put stickers on biology textbooks to tell students that evolution is a theory rather than a fact. Which is true, but it is a theory that fits the evidence rather well. It is also, whisper it, perfectly compatible with a divine Creator.

Why can't I enslave Canadians?

Of course, the faithful tend to pick and choose among bits of scripture (see article). The Biblical ban on homosexuality troubles liberal churches, as they wonder whether to bless gay unions and to ordain openly gay ministers. In general, the elite tends to be most in favour of being nice to homosexuals, the people in the pews most hostile. But fundamentalists know exactly where they stand. Mr Falwell, for instance, blamed homosexuals (along with feminists, civil libertarians and abortion supporters) for the attack on the World Trade Centre. Others share his revulsion. The Alabama Supreme Court recently refused to grant a mother who was a lesbian the custody of her child.

American homosexuals react to such views with dismay. Mel White, an ordained minister who ghost-wrote Mr Falwell's autobiography, later revealed that he was homosexual. He and his partner have now rented a house directly across the street from the Thomas Road church, and go to many of its services, in mute protest against the fundamentalist view of homosexuality. Mr White argues that fundamentalists encourage the persecution of homosexuals and condone violent attacks on them. “This is the new McCarthyism,” he says. Certainly, there is a curious contrast between the religious tolerance that has allowed so many faiths to thrive in America and the moral intolerance of some beneficiaries of that freedom.

Perhaps the most controversial political impact of non-traditional churches is on America's attitude towards the Middle East. “We believe that the Jewish people are God's chosen people,” says Brother Trask. “God has blessed America because of our support for the state of Israel,” echoes Mr Falwell. Non-Americans tend to ascribe more power to the Jewish lobby, but fundamentalist Christians try even harder to influence America's policy towards Israel.

As for Islam, some churches are rudely uncomprehending. Franklin Graham, son of Billy Graham, one of America's most famous evangelists, describes Islam as “a very evil and wicked religion”. Jerry Vines, a leading Southern Baptist, called Muhammad “a demon-obsessed paedophile.”

When, this summer, the University of North Carolina asked its freshmen to read a book by Michael Sells, an American professor, on the Koran, there was an uproar. Egged on by the Family Policy Network (FPN), a fundamentalist lobbying group, a number of students took the university to court. Joe Glover of the FPN regards the Koran as inflammatory stuff to put before the young. “It says: ‘Fight and slay the pagan wherever you find them',” he says.

Such talk dismays the tolerant majority, and is in contradiction to the generally moderate response of Americans to Islam since September 11th. George Bush has been anxious to stress his high regard for Muslims at regular intervals, ever since that attack. Such are the passions and provocations of these times, that he would be wise to carry on doing so.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Infallible

Dec 19th 2002
From The Economist print edition

Extracts from a spoof letter, widely posted on the Internet, to Laura Schlessinger, a (Jewish) fundamentalist broadcaster

DEAR Dr Laura, I have learned a great deal from your show...When someone tries to defend the homosexual lifestyle, for example, I simply remind him that Leviticus 18:22 clearly states it to be an abomination. End of debate. I do need some advice from you, however, regarding some of the other specific laws and how to follow them.

When I burn a bull on the altar as a sacrifice, I know it creates a pleasing odour for the Lord (Lev. 1:9). The problem is my neighbours. They claim the odour is not pleasing to them. Should I smite them?

Most of my male friends get their hair trimmed, including the hair around their temples, even though this is expressly forbidden by Lev. 19:27. How should they die?

Lev. 25:44 states that I may possess slaves...provided they are purchased from neighbouring nations. A friend of mine claims that this applies to Mexicans, but not Canadians. Can you clarify? Why can't I own Canadians?

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Trucking in Cameroon

The road to hell is unpaved

Dec 19th 2002 | DOUALA
From The Economist print edition

The Economist rides an African beer truck—and gets a lesson in development economics

WITH 30,000 bottles lashed firmly to the back, the beer truck pulled out of the factory yard. Or rather, it tried to. The lunchtime traffic in Douala, Cameroon's muggy commercial capital, was gridlocked, as usual, and no one wanted to let a 60-tonne lorry pull out in front of them.

Fortunately the driver, Martin, had been trucking for 19 years, and could manoeuvre the 18-wheeled beast with skill and calculated aggression. After several minutes of inching threateningly forward, he managed to barge out into the fast lane, where the truck immediately had to stop. As far as the eye could see, stationary cars and buses blocked the way.

Considering that Douala is one of Africa's busiest ports, handling 95% of Cameroon's exports and also serving two landlocked neighbours, Chad and the Central African Republic, the poverty of the city's infrastructure is a bit of a problem.

The roads are resurfaced from time to time, but the soil is soft and the foundations typically too shallow. Small cracks yawn quickly into wide potholes. Street boys fill them with sand or rubble, and then beg for tips from motorists. But their amateur repair work rarely survives the first rainstorm.

Besides the potholes, motorists must dodge the wrecks of cars that have crashed. Under Cameroonian law, these may not be moved until the police, who are in no hurry, have arrived. It took our truck half an hour to reach the first petrol station, and another half an hour to fill up, owing to arguments about paperwork. Another hour and two police road-blocks later, we finally left the city. That was the end of the easy part of the journey.

Hard trucking

Visitors from rich countries rarely experience the true ghastliness of third-world infrastructure. They use the relatively smooth roads from airports to hotels, and fly any distance longer than a hike to the curio market.

But the people who actually live and work in countries with rotten infrastructure have to cope with the consequences every day. These are as profound as they are malign. So to investigate how bad roads make life harder, this correspondent hitched a ride on a beer truck in Cameroon, a pleasant, peaceful and humid country in the corner of the Gulf of Guinea.

The truck belonged to a haulage firm that makes deliveries for Guinness Cameroon, a local subsidiary of the multinational that makes the eponymous velvety black beer, which is popular in Ireland, Britain—and West Africa.

The plan was to carry 1,600 crates of Guinness and other drinks from the factory in Douala where they were brewed to Bertoua, a small town in Cameroon's south-eastern rainforest. As the crow flies, this is less than 500km (313 miles)—about as far as from New York to Pittsburgh, or London to Edinburgh. According to a rather optimistic schedule, it should have taken 20 hours, including an overnight rest. It took four days. When the truck arrived, it was carrying only two-thirds of its original load.

The scenery was staggering: thickly forested hills, stretching into the distance like an undulating green ocean, with red and yellow blossoms floating on the waves. Beside the road were piles of cocoa beans, laid out to dry in the sun, and hawkers selling engine oil, tangerines, and succulent four-metre pythons for the pot. We were able to soak up these sights at our leisure: we were stopped at road-blocks 47 times.

These usually consisted of a pile of tyres or a couple of oil drums in the middle of the road, plus a plank with upturned nails sticking out, which could be pulled aside when the policemen on duty were satisfied that the truck had broken no laws and should be allowed to pass.

Sometimes, they merely gawped into the cab or glanced at the driver's papers for a few seconds before waving him on. But the more aggressive ones detained us somewhat longer. Some asked for beer. Some complained that they were hungry, often patting their huge stomachs to emphasise the point. One asked for pills, lamenting that he had indigestion. But most wanted hard cash, and figured that the best way to get it was to harass motorists until bribed to lay off.

At every other road-block, the policemen checked to see whether the truck was carrying a fire extinguisher. The driver's mate, Hippolyte, would have to climb down and show the device to a policeman reclining in the shade of a palm tree, who would inspect it minutely and pore over the instructions on the side. Similar scrutiny was lavished on tail-lights, axles, wing-mirrors and tyres, all in the name of road safety. Oddly, no one asked about seat belts, which Cameroonians wear about as often as fur coats.

At some road-blocks, the police went through our papers word by word, in the hope of finding an error. The silliest quibble came from a frowning thug who declared that this correspondent's visa was on the wrong page of his passport. The longest delay came in the town of Mbandjok, where the police decided that Martin did not have enough permits, and offered to sell him another for twice the usual price. When he asked for a receipt, they kept us waiting for three-and-a-half hours.

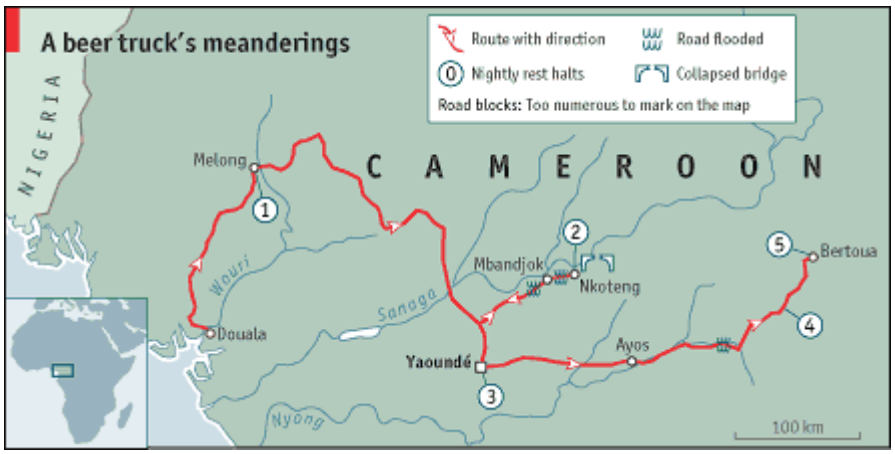
The gendarme was told that the law he was citing did not, in fact, exist. He replied: “Do you have a gun? No. I have a gun, so I know the rules”

A gaggle of policemen joined the argument, which grew heated. The total number of man-hours wasted, (assuming an average of seven policemen involved, plus three people in the truck), was 35—call it one French working week. And all for a requested bribe of 8,000 CFA francs ($12).

The pithiest explanation of why Cameroonians have to put up with all this came from the gendarme at road-block number 31. He had invented a new law about carrying passengers in trucks, found the driver guilty of breaking it, and confiscated his driving licence. When it was put to him that the law he was citing did not, in fact, exist, he patted his holster and replied: “Do you have a gun? No. I have a gun, so I know the rules.”

Mud, inglorious mud

Even without the unwelcome attentions of the robber-cops, the journey would have been a slog. Most Cameroonian roads are unpaved: long stretches of rutty red laterite soil with sheer ditches on either side. Dirt roads are fine so long as it does not rain, but Cameroon is largely rainforest, where it rains often and hard.



Our road was rendered impassable by rain three times, causing delays of up to four hours. The Cameroonian government has tried to grapple with the problem of rain eroding roads by erecting a series of barriers, with small gaps in the middle, that allow light vehicles to pass but stop heavy trucks from passing while it is pouring. This is fair. Big trucks tend to mangle wet roads.

The barriers, which are locked to prevent truckers from lifting them when no one is looking, are supposed to be unlocked when the road has had a chance to dry. Unfortunately, the officials whose job it is to unlock them are not wholly reliable. Early on the second evening, not long after our stand-off with the police in Mbandjok, we met a rain barrier in the middle of the forest. It was dark, and the man with the key was not there. Asking around nearby villages yielded no clue as to his whereabouts. We curled up in the hot, mosquito-filled cab and waited for him to return, which he did shortly before midnight.

The hold-up was irritating, but in the end made no difference. Early the next morning, a driver coming in the opposite direction told us that the bridge ahead had collapsed, so we had to turn back.

Six hours, 11 more road-blocks and three sardine sandwiches later, we arrived in Yaoundé, the capital, where Guinness has a depot. The alternative route we had to take to get to Bertoua meant passing a weighing station, where vehicles over 50 tonnes face steep tolls. Since we were 10 tonnes overweight, Martin needed permission to offload 600 crates. But it was a Saturday, the man in charge was reportedly at lunch, and we did not get permission until the next morning. It then took all morning to unload the extra crates, despite the fact that the depot was equipped with excellent forklifts. After 25 hours without moving, we hit the road again, and met no road-blocks for a whole 15 minutes.

For much of the rest of the journey, which took another 17 hours, this correspondent was struck by how terrifying Cameroonian roads are. Piles of rusting wrecks clogged the grassy verges on the way out of Yaoundé. We saw several freshly crashed cars and a couple of lorries and buses languishing in ditches. None of the bridges we crossed seemed well-maintained. And when we arrived in Bertoua, we heard that two people had been crushed to death on a nearby road the previous day, when a logging truck lost its load on to their heads.

Coping with chaos

Cameroonian roads have wasted away. In 1980, there were 7.2km of roads per 1,000 people; by 1995, the figure had shrunk to only 2.6km per 1,000. By one estimate, less than a tenth are paved, and most of these are in a foul condition.

In recent years, however, aided by a splurge of World Bank money, things have improved a bit. Douala, once considered one of the worst ports on earth, has been substantially rehabilitated since 2000. A lot has been done to improve the roads around Douala in the last two years, says Brian Johnson, the managing director of Guinness Cameroon. The Cameroonian government no longer takes three years to approve plans for roadworks.

But there is much work still to be done, and firms still have to find ways to cope with horrible highways. Guinness used to buy second-hand army trucks, which was a false economy, because they kept breaking down. Now, it buys its lorries new from Toyota, with which it has a long-term agreement to ensure that it will always be able to get hold of mechanics and genuine spare parts (as opposed to fake or stolen ones, which are popular in Cameroon, but of variable quality). The firm is also making more use of owner-

drivers, who have a greater incentive to drive carefully.

“Just-in-time” delivery is, for obvious reasons, impossible. Whereas its factories in Europe can turn some raw materials into beer within hours of delivery, Guinness Cameroon has to keep 40 days of inventory in the factory: crates and drums of malt, hops and bottle tops. Wholesalers out in the bush have to carry as much as five months' stock at the start of the rainy season, when roads are at their swampiest. Since they tend to have shallow pockets, Guinness often gives them exceptionally easy credit terms.

Out in the forest, the firm does whatever it takes to get beer into bars and bottle stores. It is an exercise in creative management. At the depot in Bertoua, crates are unloaded from big lorries and packed into pick-up trucks, which rush them to wholesalers in small towns. The wholesalers then sell to retailers and to small distributors, who ferry crates to villages in hand-pushed carts, on heads and even by canoe.

No matter how hard Guinness tries, however, the bars that sell its brew sometimes run dry. Jean Mière, a young bar-owner in a village called Kuelle, complained that he had nothing to sell to his thirsty customers because the local wholesaler's driver was in jail. Yves Ngassa, the local Guinness depot chief, was incensed. He had arrived in an empty pick-up truck, having been given directions by the wholesaler who normally supplied Mr Mière, but the wholesaler had not mentioned that Mr Mière had no beer, nor asked if he could load some into Mr Ngassa's empty pick-up.

In all, bad infrastructure adds about 15% to costs, reckons Mr Johnson. But labour costs are low, Cameroonians drink a lot of beer, and Guinness's main competitor, Société Anonyme des Brasseries de Cameroun, faces similar hurdles. Despite the unusual management challenges, Guinness runs a healthy business in Cameroon, its fifth-biggest market by volume after Britain, Ireland, Nigeria and America. Its return on capital in Cameroon is around 16%, and sales of its main brands have grown by 14% a year over the past five years. The big losers from lousy infrastructure are ordinary Cameroonians.

How bad roads hurt the poor

Roads in rainforests are a bad thing, argue many environmentalists. They facilitate illegal logging and destroy indigenous cultures by bringing them into contact with aggressive, disease-carrying, rum-swilling outsiders. But the absence of roads probably hurts the poor far more.

The simplest way to measure the harm caused by bad infrastructure is to look at how prices change as you move away from big cities. A bottle of Coca-Cola, for example, costs 300CFA in Yaoundé, where it is bottled. A mere 125km down the road, in the small town of Ayos, it is 315CFA, and at a smaller village 100km further on, it is 350CFA. Once you leave the main road, prices rise sharply. A Guinness that costs 350CFA in Douala will set you back 450CFA in an eastern village that can be reached only on foot.

It was worth the wait

What is true of bottled drinks is also true of more or less any other manufactured good. Soap, axe-heads and kerosene are all much more expensive in remote hamlets than in the big cities. Even lighter goods, which do not cost so much to transport, such as matches and malaria pills, are significantly dearer.

At the same time, the stuff that the poor have to sell—yams, cassava, mangoes—fetch less in the villages than they do in the towns. Yet, thanks to poor roads, it is hard and costly to get such perishable, heavy items to market. So peasant farmers are doubly squeezed by bad roads. They pay more for what they buy, and receive less for what they sell. Small wonder that the African Development Bank finds “a strong

link between poverty and remoteness”.

The UN's International Fund for Agricultural Development estimates that African villages with better physical infrastructure produce one-third more crops per hectare than those with poor infrastructure, enjoy wages 12% higher, and pay 14% less for fertiliser. And no country with good roads has ever suffered famine.

Where roads improve, incomes tend to rise in parallel. One study estimated that each dollar put into road maintenance in Africa would lower vehicle maintenance costs by $2-3 a year. In Cameroon, where the soil is wondrously fertile, farmers start growing cash crops as soon as nearby roads are repaired. Big commercial farmers benefit too. Along the highway to Douala lie great plantations of sugar cane, and banana trees whose fruit is wrapped in blue plastic bags, to keep at bay the birds and bugs that might mar the visual perfection demanded by European consumers.

Where roads are left to deteriorate, women bear the heaviest burden. According to the World Bank, a typical Ugandan woman carries the equivalent of a 10-litre (21-pint) jug of water for 10km every day, while her husband humps only a fifth as much. With better roads, both men and women can, if nothing else, hitch rides on lorries, thereby sparing their feet and getting their goods more swiftly to market.

The famished road

Sometimes, people find ingenious ways around infrastructure bottlenecks in Africa. Buses designed for European roads do not last long in Nigeria, so Nigerians import the chassis of heavy European lorries and mount locally manufactured bus bodies on top. This is much cheaper than importing a whole lorry, and more durable than an imported bus. Locals also simply adapt. In parts of Cameroon where there is no electricity to power a refrigerator, people drink their beer—and indeed any other liquid—warm.

But there is no substitute for building and maintaining better infrastructure. In some areas, such as telecoms, private firms will do the work if allowed to. Thanks to private investment, mobile telephones have spread throughout Africa with the pace and annoying chirrups of a swarm of locusts. In Cameroon, Guinness now finds it much easier to contact employees than it did a couple of years ago, although the firm also frets that mobile telephones are gobbling up scarce disposable income that might otherwise be spent on beer.

The private sector does not, however, spontaneously provide roads, because the beneficiaries cannot easily be charged. Tolls can meet some of the cost of maintaining highways, but it is hard to squeeze money out of peasants on feeder roads.

The World Bank estimates that at least $18 billion needs to be pumped each year into African infrastructure if the continent is to attain the sort of growth that might lift large numbers of people out of poverty. Investment currently runs at less than a third of this. In the current economic downturn, private companies in the West are in no mood to rush into risky investment, least of all in Africa. The gap can only be filled, the Bank reckons, by governments and foreign donors.

In short, the governments of poor countries ought to pay more attention to their roads. A good first step in Cameroon would be to lift those road-blocks and put the police to work repairing potholes.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Conspiracy theories

That's what they want you to believe

Dec 19th 2002
From The Economist print edition

Why are conspiracy theories so popular?

WHO crashed those planes into the World Trade Centre? Israel, obviously. Mossad must have known that their country would profit from a surge in American hostility towards the Arabs, who were set up to take the rap. Shortly after September 11th 2001, the consensus on the Arab street was that only the Israeli secret service could have managed such deadly precision. Corroboration was quickly found in a report that 4,000 Jews who worked in the twin towers had been secretly warned to stay away that day.*

This was not the only interesting theory bandied around the souks. The doyen of Egyptian pundits, Hassanein Heikal, blamed the Serbs, noting that they were mad about losing Kosovo. Others fingered home-grown, Oklahoma-style extremists, or a plot by America's military-industrial complex, ever hungry for new enemies to boost defence budgets.

One fellow in a Cairo café told *The Economist* that the culprit was clearly not al-Qaeda, but rather something called al-Gur. Was this, perhaps, a terror network still more murderous than the Bin Laden gang? No. On closer listening, it transpired that the evil al-Gur was bent on avenging not some wicked Yankee geo-blunder, but the theft of the 2000 American presidential election. “It's obvious,” declared the café sage. “Who else could have wanted to hurt George Bush more than his rival, the former Vice-President al-Gur?”

The citizens of Cairo may be skilled at concocting diabolical scenarios, but they are not the only ones. Plenty of Africans from further south pooh-pooh the conventional view that the virus that causes AIDS originated with monkeys. It was cooked up in an American lab, of course, to kill black people.

Many Asians, including the prime minister of Malaysia, blame a clutch of Jewish financiers for causing their economies to crash in 1997. Some Jews, meanwhile, equate Amnesty International, which often criticises Israel, with the Nazi party. Credulous Indians see the hand of Pakistani intelligence behind everything from train crashes to cricket match fixing, and many Pakistanis return the compliment. Slobodan Milosevic, smug in court at The Hague, has testified that the 1995 massacre of 7,000 unarmed Muslims at Srebrenica was carried out not by Serb militiamen, but by French intelligence. Less whimsically, China's government launched its vicious campaign to crush Falun Gong in the belief that the movement, whose stated aims are to improve its devotees' spiritual and bodily health, is a dangerous cult bent on subverting the state.

Americans like a good plot too. The assassination of John F. Kennedy still generates a thriving industry, complete with a thicket of suggestive websites (see article), books, college courses, one big-budget movie and a whole vocabulary of arcana. (If you don't know what is pictured in frames 112 and 113 of

the Zapruder film, or wonder what the Grassy Knoll is, better stay quiet on the subject.) A 1991 poll showed that, three decades after the president's murder, 73% of Americans still think he was a victim of conspiracy.

Such fables are nothing new. American pamphleteers in the 1790s warned of a plot by atheist, libertine Illuminati and Freemasons to concoct an abortion-inducing tea and “a method for filling a bedchamber with pestilential vapours”. The bestselling book of the 1830s was a racy confession by a repentant nun detailing a scheme by Catholics to undermine Protestant morals. At around the same time, Samuel Morse, better known as the inventor of Morse Code, exposed an Austrian plan to install a Hapsburg prince as emperor of the United States. In the 20th century, Americans feared reds more than royals; hence Joe McCarthy's witch-hunts, and the popularity of Father Charles Coughlin, who told radio audiences that “Masons and Marxists rule the world”.

In “Under Western Eyes”, Joseph Conrad wrote that “to us Europeans of the West, all ideas of political plots and conspiracies seem childish, crude inventions for the theatre or a novel.”

Some modern scholars go further, arguing that the conspiracist habit is a sort of disease or syndrome. The “paranoid thinker”, instructs material from a course at the University of Rhode Island, is “rigid, victimlike, cowardly”. This contrasts with the traits of the “rational thinker”, who is “open, flexible, empowered, strong”.

Daniel Pipes, the author of two books about conspiracy theorising, describes the classic grand theories—such as those about Masonic or Zionist or Papist plots for world domination—as:

> a quite literal form of pornography (though political rather than sexual). The two genres became popular about the same time, in the 1740s. Both are backstairs literatures that often have to be semi-clandestinely distributed, then read with the shades drawn. Elders seek to protect youth from their depredations. Scholars studying them try to discuss them without propagating their contents: [with] asterisks and dashes in the first case and short extracts in the second. Recreational conspiracism titillates sophisticates much as does recreational sex.

Mr Pipes does good work in skewering anti-Jewish conspiracy theorists, but his recent founding of “Campus Watch”, a website devoted to “outing” pro-Arab academics, emits a whiff of burning books.

Belief in conspiracies is not necessarily foolish. Some are real. The Holocaust, for example, actually happened, though few believed it before the camps were liberated. Consider also the Bolshevik revolution of 1917: a small group of violent fanatics seized control of a large empire, as millions of their victims could testify, were they still alive. Businessfolk conspire, too. Adam Smith, a man to whom *The Economist* accords considerable respect, once wrote that: “People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public.”

That some conspiracies are real, however, does not mean that they all are. As a tool for explaining how the world works, conspiracism has certain drawbacks. It inhibits trust: if everyone else is out to get you, better have nothing to do with them. It dampens optimism: if “they” are sure to frustrate your plans, why bother doing anything? And, of course, it leads to harmful errors, such as the belief, once popular among Africans, that condoms were yet another ploy to reduce their population.

The evolution of theories

So what is the attraction of conspiracism? For starters, as grand unifying theories of geopolitics go, it is simple to grasp. In ill-educated societies, that makes it appealing. It is also impossible to disprove, because any fact that does not fit the theory can be dismissed as a trick by the conspirators to throw ordinary folk off the scent.

In countries with opaque and authoritarian political systems, rumour is often the only alternative to official news sources. If the people in such countries remember falling victim to real conspiracies, they may be inclined to attribute fresh misfortunes to a similar cause.

Take more or less anywhere in the Middle East. The very borders of countries such as Jordan, Syria and Lebanon are a product of

the 1916 Sykes-Picot accord, a secret agreement between Britain and France to divvy up the region between themselves, despite earlier British pledges of statehood to Arabs. In 1917, war-pressed Britain sought to curry favour with the growing Zionist movement by promising a “Jewish national home” in Palestine. The Palestinians, nine-tenths of the territory's population at the time, were not consulted. Thirty years later, when the UN voted to give Jews 53% of the land, the 13 “Eastern” countries that objected were overruled by 33 “Western” countries, which between them ruled over some 120 future members that surely would have voted otherwise had they been able to. Small wonder Palestinians see the world through a lens of victimhood.

The joy of conspiracy
Overheard in a bar in Tel Aviv

Two Jews are sitting on a bench, reading newspapers. One notices that the other's paper is a vile, anti-Semitic rag.

“Why read that trash?” he asks.

“Well, says the second, I used to read a paper like yours. But it was too depressing: all that news about suicide bombs and Ariel Sharon. My new paper, on the other hand, is full of good news: apparently we control Hollywood, own all the banks, dominate American politics...”

In the West, conspiracies have, for some reason, tended to fail, and so fade from the popular imagination. Who now frets about the Gunpowder Plot of 1605, when a gang of Catholics failed to blow up Britain's Parliament? Or the doomed Carlist uprisings in 19th-century Spain? Or the European anarchists who assassinated seven heads of state in the 1890s, to no avail? Or the Watergate scandal?

In Iran, by contrast, people still seethe over the CIA-backed coup of 1953 that toppled Muhammad Mossadegh, a man much loved for having dared to nationalise British oil interests. Syria and Iraq have suffered a dizzy sequence of successful plots and counter-conspiracies, ending with the pair of Baathist coups in the late 1960s that installed their current ruling cliques.

Half the governments of the Middle East trace their origins to coups. In a sense, conspiracy is the region's only real form of politics, which can make it hard for Middle Easterners to understand the dynamics of open, democratic societies. Hence, for example, the Arab tendency, as the French say, to “occult” America's generous backing for Israel. Aiding the Jewish state infuriates hundreds of millions of oil-supplying, American-product-consuming Arabs and Muslims. So why does America do it? It must be a conspiracy by the Zionist lobby, or perhaps a plot to divide and rule Arabs to control their oil, or part of a Christian crusade against Islam.

Blaming others for one's troubles may be emotionally satisfying, but it is a counsel of despair. Stella Orakwue, a journalist, writes in the *New African* that: “Today, [Africa] has to remain in deficit so Europe and America can maintain their obscene wealth.” Given that Africa accounts for less than 2% of global trade, this is hardly an adequate explanation of why the West is rich and Africa is poor. And without understanding why their continent is poor, Africans will find it harder to grow rich.

In extreme cases, conspiracy theories can cost lives. Osama bin Laden genuinely seems to think he is fighting a Zionist-Christian-materialist assault on Islam. Adolf Hitler sincerely believed he was ridding the world of a Jewish menace. Many Serbs were convinced that the Muslims of ex-Yugoslavia were out to annihilate them. And many Rwandan Hutus, informed by their leaders that the Tutsis were planning to kill them, were happy to follow orders to pre-empt this threat.

---

*For the record, around 300 Jews and 100 Muslims were among the 3,000 victims. The origin of the rumour was probably a report in the *Jerusalem Post* of September 12th, which mistakenly said that 4,000 Jews had “disappeared” in the disaster.

_____

NOTE: The following Letter to the Editor was published in *The Economist* on January 9th 2003:

SIR – In your article on conspiracies you erroneously attribute to the Jerusalem Post a report “which mistakenly said that 4,000 Jews had ‘disappeared' in the [September 11th] disaster” (“That's what they want you to believe”, December 21st). This, you suggest, is probably the origin of the rumour that “Jews who worked in the twin towers had been secretly warned to stay away that day.”

Nowhere in our reporting of that day did the Post publish anything of the kind. A story in our internet edition did say that the Israeli foreign ministry had collected the names of 4,000 Israelis believed to have been in the areas of the World Trade Centre and the Pentagon at the time of the attack. Whether this story was the origin of the rumour, I cannot say. What I can say is that there was no mistake in our reporting.

Bret Stephens

Editor-in-chief

Jerusalem Post

Jerusalem

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Who killed JFK?

Dec 19th 2002
From The Economist print edition

Selected theories:

•A secret service agent shot him by accident

•A secret service agent shot him deliberately

•Someone shot him with a dart from an umbrella, tipped with shellfish toxins

•It had something to do with three tramps, who subsequently disappeared

•It was somehow connected with a cover-up of the CIA's creation of the AIDS virus to use against Cuba

•He killed himself

(Source: some of the 109,000 web pages Google found containing the words "conspiracy" and "Kennedy")

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Vietnamese food

Eating out in Vietnam

Dec 19th 2002 | HANOI AND HO CHI MINH CITY
From The Economist print edition

Lonely Planet

As communism crumbles, a great cuisine revives

IN VIETNAMESE, simple tasks are not as “easy as pie”—they're “like eating dog's brain”. But until recently, eating dog's brain was not easy at all. Vietnam's old communist regime frowned on bourgeois excesses, such as eating out. The few restaurants that survived were drab, soulless spots reserved for party grandees and visiting dignitaries. Anyway, there was not much food on offer. Thanks to a disastrous attempt to force all the country's small family farms to merge into giant collectives, Vietnam flirted with famine in the 1980s. A decent portion of rice, let alone a dog's brain, constituted a feast.

Faced with desperate food shortages and a growing exodus of “boat people”, the government undertook tentative market reforms. Its first step was to give peasants secure tenure over the land they farmed, and freedom to sell their crops at a profit. Gradually, other forms of private enterprise won freer rein. The ensuing revolution was not just agricultural, economic and social, but also gastronomic. Ten years ago, there were only three restaurants serving dog along the dyke that protects Hanoi from the Red river; now there are 25. Hungry Hanoians can feast not only on dog's brain, but also sausages of dogmeat with beans and bitter herbs, grilled dog with ginger and shrimp sauce, boiled dog with lemongrass and steamed dog's liver with chilli and lime.

Geography determined the basics of Vietnamese food. The vast deltas of the Red river and the Mekong provide the staple, rice, while the strip of coast that connects them supplies abundant fish. Every other aspect of Vietnamese cuisine, however, has changed along with the country's tumultuous history. Chinese invaders introduced chopsticks and soy sauce. French colonists brought coffee, now the country's biggest cash crop. Pressed rice cakes became popular during the war with America, as a durable and lightweight ration. American ice-cream, which had been sidelined by Russian slush, has made a comeback since America and Vietnam re-established diplomatic ties in 1995.

Nowadays, free-market reforms are having a profound effect on Vietnamese food, most obviously in terms of the quantity available. In 2000, Vietnam produced some 32m tonnes of rice: more than twice the output of 1987. That huge increase has transformed the country from a net importer of rice to the world's second-largest exporter (after Thailand). Over the same period, production of chicken and pork—and much else—more than doubled.

But this plenty is unevenly distributed. A third of Vietnamese children are underweight, and even more are stunted. Ethnic minorities living along Vietnam's mountainous borders with Laos and China are the hungriest, and the north is hungrier than the south. The weather in the Mekong delta (in the south) is

warm and wet all the time, allowing farmers to churn out three rice crops a year. The chilly northern winters, by contrast, limit their counterparts in the Red river valley to two. The war's legacy plays a role, too. The south was only subjected to collectivisation for about a decade after reunification, compared with some 40 years in the north, so agriculture suffered less disruption.

Many Vietnamese still have to eat whatever they can lay their hands on. Pet birds and dogs are kept indoors to save them from the cooking pot. In 1998, the government tried to reduce the consumption of snakes and cats by banning their sale, since the exploding rat population was damaging crops. Instead, peasants simply took to eating rats as well. The dwindling number of rats, in turn, has caused an explosion in the numbers of another tasty treat: snails.

Meanwhile, in nearby Ho Chi Minh city, the country's commercial capital, a recent survey found that 12.5% of children were obese—and the figure is rising. Local restaurants vie with one another in expense and luxury. Hoang Khai, a local businessman, recalls how his family always celebrated at home when he was young, because there was nowhere to go out. He decided to change all that, by ploughing the returns from his textile business into a restaurant lavish enough to suit the city's business elite. The result is Au Manoir de Khai, a colonial villa smothered in gilt and silk where a meal with imported wine can set you back more than most Vietnamese earn in a year.

“The government appealed to farmers to eat fewer snakes, since the rat population was exploding. So they began eating rats”

Mr Khai's humbler compatriots are also learning to enjoy their food again. Take Lan, who has been cooking Hanoi's famous beef-noodle soup, *pho bo*, for over 20 years at a hole-in-the-wall stand in the city's old quarter. She learned the trade from her parents, she says, but never bothered to put any effort into it since the shop belonged to the state. In the 1990s, however, it was sold to an entrepreneur as part of the government's economic reforms. Now she uses only the softest noodles, and stews her beef broth for eight hours before serving—twice as long as before. People are fussier now, she explains, and won't tolerate slapdash service.

Of silkworms and goats' testicles

Indeed, Vietnam's culinary renaissance is helping to revive traditions lost during the years of war, famine and repression. Didier Corlou, a French chef who has married into a Vietnamese family, explains how his in-laws eagerly contributed old recipes for his recent book on Hanoian cuisine. Several new restaurants in Hanoi have helped to popularise old-fashioned medicinal wine. Diners at the inexpensive Highway 4, for example, merrily knock back shots flavoured with silkworm, snake, crow or goat's testicles. The food, too, is a souped-up version of traditional mountain cuisine, complete with rural treats such as eel or frog. Even street food is being gentrified: at Quan An Ngon in Ho Chi Minh city, bejewelled ladies wash down their stuffed pancakes and hot-and-sour soup with sips of chardonnay.

There are innovations as well as resuscitations. Highway 4 serves spring rolls containing foreign ingredients such as wasabi paste and mayonnaise. These are so popular that several other local restaurants have copied the recipe. Mooncakes, a delicacy sold in the autumn, now come stuffed with chocolate as well as the standard beans and egg. Bars—a foreign concept in Vietnam, where food always accompanies drink—are beginning to spread.

Unlike the cheap pubs that draw only men, the comedy acts, raffles and bands at the new nightspots attract both men and women. But the biggest new craze of all is the ubiquitous *com*, a sort of Vietnamese fast-food joint. Whereas traditional street stalls serve only one dish, *com* stands offer a wide choice of ready-made toppings to accompany a bowl of rice. Poor Vietnamese, delighted by the variety and convenience, are flocking to them.

Not everyone is happy about these changes. Cha Ka Le Vong, a Hanoi restaurant which only serves a thick stew of fish and herbs, has survived three wars, two famines, several attempts at nationalisation, hyperinflation, and the dramatic boom and bust of the 1990s. But the old lady who runs it considers current culinary trends a tougher challenge than any of that. *Com*s, new-fangled foreign ingredients, and even well-entrenched French imports, such as bread or French fries, are “a threat to our tradition”, she rails. To this day, Vietnam has no McDonald's.

But most Vietnamese are adapting to commercial pressures all too readily. Farmers, suddenly paid according to what they produce, are slathering their crops in pesticides to increase their yields. Many Hanoians fear that this may damage their health; the market stalls that advertise “clean vegetables” are

doing a roaring trade, even though their wares cost as much as 25% more. Eating *pho* probably poses a more serious threat, since some unscrupulous merchants try to preserve perishable noodles with formaldehyde or boric acid. Indeed, food scares have become common enough that the World Health Organisation is helping Vietnam to set up a food-safety agency.

Other dodgy tradesmen make a fortune serving endangered species to superstitious diners. The menu of the Lamrice restaurant in Hanoi offers a whole roast civet cat for 120,000 dong ($8) or porcupine steamed with ginger for 50,000 dong. Liquor bottles filled with bear paws and tiger penises decorate the walls. In Ho Chi Minh city, sea-turtle meat goes for 300,000 dong a kilo, while one enterprising salesman offers to produce a bear and draw its bile on the spot for $400. He also sells tiger meat, he says, to “men whose flags are drooping”. All these animals are protected by law, but as Pac Bo, the owner of Lamrice, puts it, he has “good relations” with the authorities, so no one bothers him. The unabated trade in wildlife is all the more alarming since half of the big new mammals discovered worldwide in the past century were found in Vietnam.

Piracy, too, goes entirely unchecked. La Vie, the country's most popular mineral water, contends with a host of blatant knock-offs with names like La Vi, La Ve and La Viei. Vietnam's best fish sauce comes from the island of Phu Quoc, off the southern coast—so every fish-sauce producer with initiative slaps a “Phu Quoc” label on his inferior swill. Despairing of official help, the islanders have entered a joint venture with Unilever, an international consumer-goods firm, which may have enough cash and clout to pressure the authorities to curb the counterfeiters.

There could be no better sign of the free-market turmoil to which Vietnamese food is suddenly being exposed. Fish sauce is the basic condiment for all Vietnamese food, and Phu Quoc its finest incarnation. Imagine French vintners granting Coca-Cola distribution rights over their *grandscrus*. In fact, one impassioned Vietnamese argues, the comparison is inadequate, since fish sauce is a more sophisticated product than wine: only a tiny number of wines survive longer than 50 years, whereas fish sauce continues to grow in flavour and complexity indefinitely. The wood of the barrels in which it ferments, the quality of the anchovies and salt from which it is made, the weather and temperature during the fermentation process—all these factors, he explains with a faraway look in his eyes, affect the flavour of the finished product. The producer, he continues, knows that the sauce is ready for bottling when the flies have stopped swarming over the rotting brew.

Unilever has promised not to alter this challenging flavour for foreign palates. Nor will it need to. Given Vietnam's new wealth and interest in its culinary heritage, making money out of Phu Quoc fish sauce should be like eating dog's brain.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

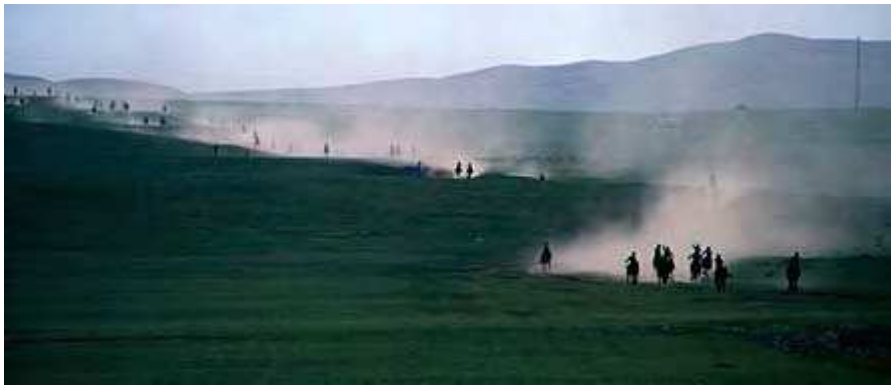
About sponsorship

Nomadism in Mongolia

The - best place - last

Dec 19th 2002 | SUMBER, DORNOD
From The Economist print edition

Alamy



As Mongolia shows, nomadic pastoralism and private land just don't mix

IT IS what is underfoot that counts. Very roughly, between the Ural mountains in the west and the Amur river on the Sino-Russian border, and between the latitudes of Lake Baikal in the north and the Chang Tang plateau of Tibet to the south, lies a land too arid usually for forest or even field. Some of it is mountain and much is desert, but most of it is steppe: the vast grasslands of Inner Asia.

The foot or so of soil below the steppe's deceptive surface holds tens of thousands of years' worth of fertility, the product of grasses' ability to turn to biomass the energy of the fierce but brief summer's sun. Squirrel-tail barley, needlegrass, a clutch of fescues, Tatary buckwheat, plains lovegrass and wild oats: the rooting networks of these grasses seek out and trap moisture and nutrients. Dead roots are broken down and added to the store of humus.

Above ground, some grasses of the steppe, like needlegrass, are sod-forming: they put out surface runners that trap moisture and smother bare ground. Forbs—the non-grasses such as herbs and wildflowers—bring up nutrients from deeper down, or, if they are leguminous, fix in the soil essential nitrogen from the air. An ungrazed summer pasture is no monotony: it is a riot of rippling grasses and flowering gentian, cinquefoil, yellow-rattle, motherwort and Syrian rue.

In his history of grass, Graham Harvey describes the prairie, America's equivalent of the Asian steppe, before settlers waged war on it by overgrazing or ploughing it up: it was a “biological powerhouse, rich in wildlife and with a productivity no modern farming system could match.” Inner Asia's steppes may never have boasted the 60m bison that white settlers on the prairies estimated there to be in the 1860s, quickly slaughtered to near-extinction. But rock-carved reliefs 11,000 feet (3,350 metres) up on one mountain pass in the Altai mountains, near to the modern Mongolian border with Russia and China, depict a presumably Turkic race following great herds of wild animals on their migration—gazelles, argalli sheep, reindeer, wild horses—much as American-Indians followed the bison.

Until as recently as the 1960s, Inner Mongolia, by then part of the People's Republic of China, still had the huge herds of gazelle and wild ass that so astounded European explorers-cum-hunters at the end of the 19th century. Even today, the rolling empty eastern steppe of Mongolia proper looks like the prairie ocean must have done when it caused American settlers, heading west in their prairie schooners, to gasp and wonder about carrying on. The range of gazelle has shrunk greatly in recent decades, but in this part of the country 1.5m of them still graze, in migratory herds that run right round the horizon. Such is the biological powerhouse of the steppe.

It is a powerhouse that humans have long tapped by raising livestock; indeed, it is on the steppe that the

sheep, the goat, the camel and the horse were all first domesticated. The rest of the world soon got to hear about the horse-bound nomads' success at domestication, particularly after the invention of the compound bow made of horn, and of the stirrup, which allowed the mounted nomadic warrior to fire behind him and then escape—the deadly Parthian shot. Huns originating from modern-day Mongolia struck fear into the fifth-century Roman Empire. From the 13th century, the Mongols founded dynasties in China, Persia and India. Stirrings on the steppe sent ripples around the globe. Edward Gibbon, in his “Decline and Fall of the Roman Empire”, writes that:

> In the year 1238 the inhabitants of Gothia (Sweden) and Frise were prevented by their fear of the Tartars from sending, as usual, their ships to the herring-fishery on the coast of England; and as there was no exportation, forty or fifty of these fish were sold for a shilling. It is whimsical enough that the orders of a Mogul khan, who reigned on the borders of China, should have lowered the price of herrings in the English market.

Genghis Khan's homeland is in modern-day Mongolia, a country the size of France and Spain combined that sits at the heart of Inner Asia, with perhaps the world's finest and most extensive remaining grasslands. Its pastoralists no longer strike fear near and far, but their household techniques for raising livestock would, in their essentials, be recognisable to a Mongol from the great conqueror's time. Pastoral nomads in Mongolia still use a felt tent with wooden frame, a *ger*, which keeps out the heat in summer and protects from the cold in winter—Mongolia's continental climate has the world's greatest extremes of temperature. A *ger* is perfectly round not only to create the greatest space out of the least material, but also to stand up to the fierce katabatic winds, which whistle round it rather than topple it over.

The social divisions of the *ger*—left as you enter for the guests, opposite the door for the family head, right for the rest of the family—are unchanged, and so are the divisions of labour. Men are responsible for the raising of livestock: their herding, castration and slaughter, and (a job that the younger men relish) the breaking-in of horses. Women oversee the household, the raising of children, the milking and the making of dairy products: yogurt, butter, hard cheese, milk-vodka and the noble *airag*, fermented mare's milk.

The 27m livestock in Mongolia—the cow has been added to the mix, with yaks on higher pastures—outnumber the population tenfold. Nomadic pastoralists care for the bulk of these animals. Indeed, nowhere is the economy so tied to nomadic pastoralism as in Mongolia. And never have so many Mongolians—a third of the population, nearly double the number a decade ago—practised it as today.

It is tempting to regard nomads as the medieval Europeans and Chinese did: fierce, free and independent of a constraining, higher authority. Such an impression is reinforced by the sight of any Mongolian herder at sunset galloping back to his camp, in full song; by the Mongolian marriage ceremony, which is a ritualised form of abduction; or by the sight of two young lovers' horses by a cave or concealing rock, the man's *urgaa* (his pole-lassoo) stuck in the ground to demand privacy but presumably also to boast of sexual conquest.

Mongolia's political history certainly seems to support a romantic notion of their independence. Mongolia owes its political existence to a struggle by a pastoral society against the encroachments of an agrarian one, as David Sneath, a pastoral specialist at Cambridge University, points out. In the late 19th century, pastoralists in Inner Mongolia failed to stop the appropriation of the best land by Chinese agriculturalists; that failure prompted an armed struggle—led by many who had fled from Inner Mongolia—for the independence of Outer Mongolia. After over two centuries of subjugation by China's Manchu rulers, and the collapse of the Qing dynasty in 1911, Outer Mongolia declared independence. A revolutionary Communist state, the second ever, was created in 1924, under Soviet tutelage; it set about the destruction of feudal and monastic seats of power.

Alamy

A giant steppe for a man; a small steppe for a horde

With the collapse of the Soviet Union a decade ago, Mongolians embraced liberal democracy with gusto (albeit declaring the illiberal Genghis Khan as their refound hero). The Russians, whose stooges instigated genocidal purges in Mongolia of Buddhist lamas, intellectuals and rich herders in the 1930s, have largely been forgiven; the distrust of Chinese intentions remains as visceral as ever.

Today, the state and its citizens, even townspeople, still identify with nomadism and the horse. Witness the minister and the ambassador who, besuited, jumped up on horseback for a gallop after lunch with this correspondent just outside the capital, Ulan Bator, before heading back to the office. The official Mongolian tourism website, which lists ten reasons for visiting the country, says it all. Reason number six is “No fences”. You can still ride the 3,000 kilometres (1,900 miles) from west to east without encountering a single man-made impediment. Mongolia is a strange thing: a free-market economy with public ownership of land. But how long can the two continue to co-exist?

The call of the wild

To understand how land ownership touches nomadic life, however, it is important to unpack the exaggerated notion of the nomads' freedom from higher authority. For pastoralism has always depended upon a political authority to regulate access to pastures. As William of Rubreck, a 13th-century Franciscan monk, put it:

> Every captain, according to whether he has more or fewer men under him, knows the limit of his pastorage and where to feed his flocks in winter, summer, spring and autumn.

Under the Manchus, Mongolia was split into 83 districts called *hoshuu*, (meaning banner), within which herdsmen were assigned to smaller units, *sum* (arrow), and sub-units, *bag*. As Mr Sneath says:

> The territory of the hoshuu generally contained a number of different areas of pasture used in winter, spring, summer and autumn. These seasonal pastures were divided between various sums and bags, and within these areas the individual households had customary use-rights to particular pastures. In effect this meant that each family owned no land as such but had a recognised area of pasture that it used in the different seasons, and of these the rights to the exclusive use of winter pasture (ovoljoo) tended to be the most strictly enforced.

It was not such a great leap from the Manchu system to the pastoral collectives under socialism, called *negdel*, that were set up in the late 1940s and 1950s. In feudal days, most herders looked after animals belonging either to aristocratic or to monastic masters, while raising livestock for private consumption. Under collectivisation, the state was the master; a number of private livestock were still allowed. The shift from collectivisation to a market economy, Mr Sneath argues, was in many ways a far more wrenching change, one that undermined or destroyed institutions that had long sustained nomadic pastoralism, particularly ones that spread risk and reaped economies of scale.

With democracy, the 300-odd *negdel* were, at their members' insistence, disbanded and turned into marketing companies. Herds were privatised and the two-dozen huge state farms dissolved. Prices were freed. The western development specialists who flooded in predicted that market signals would allocate resources more efficiently, allowing dynamic enterprise—including in pastoralism—to break free from moribund old structures.

It did not happen that way. Real income per head in Mongolia fell by half between 1990 and 1992, according to the World Bank, and by another third the next year. By 1998, a third of Mongolians were living below the poverty line, compared with none, at least officially, in socialist days. In part, the decline was down to the collapse of trade with the Soviet block: new trade with China filled only part of the hole. It was also due to the loss of Soviet aid, which supplied perhaps a third of GDP. Western donors made up much of the aid gap (Mongolians get among the highest number of aid dollars per head in the world), but to dismayingly small effect.

In the pastoral sector, the services that the *negdel* provided for herders under socialism—the regulation of access to pastures, the upkeep of wells for watering animals, the provision of winter hay, a collective truck for transport to fresh seasonal pastures, and much more—collapsed, and little replaced them. Herding became more atomised. People increasingly took up subsistence herding to escape joblessness in the towns. Traditional rights of use to certain pastures were eroded, as Robin Mearns of the World Bank puts it, by a spirit of free-for-all.

Without decent transport on Mongolia's roadless steppe, a ready market for livestock and processed goods was no longer assured, particularly for remote herders. The result was great hardship. The herders' response was to fall back on small, uneconomic networks of family or friends, to breed ever more animals with less regard to their quality (numbers rose to a record 34m in 1999), and to move closer to towns. This concentration has caused pastures near to the towns to be overgrazed, and more

distant ones to be under-used. There is a desperate need, says Mr Mearns, to restore mobility.

Between the summer of 1999 and early 2002, an unprecedented series of meteorological disasters took place: great swathes of Mongolia were hit by drought, and by different types of *zud*, winter phenomena that prevent animals feeding either because of ice crusts or heavy snow. Some 7m animals died, wiping out many families' entire herds and so their livelihood. Under collectivisation, with fewer beasts, greater mobility and the state delivery of supplementary feed, such a disaster would not have happened.

The pastoral disappointments of the 1990s have led to a couple of alarming responses. The first is to dismiss pastoralism as a backward pursuit, an embarrassment to notions of modernisation rather than a proven response to a harsh environment. The governor of Dornod, the easternmost province, says that herders “get in the way” of his ambitious plans for resource extraction. These include not just mining, but also inviting Chinese agriculturalists to farm great swathes of steppe.

The second response, more sympathetic to herding but as disturbing in its potential consequences, is promoted by, among others, the Asian Development Bank. This argues that market reforms in pastoralism cannot work without the private ownership of land. Who can argue with that? Without ownership, herders have no incentive to protect land from degradation and to invest in land improvements. The theory of the tragedy of the commons is well-known: it is in the interests of any individual to add to his stock of animals on common land, even if that leads to further degradation.

Enter the free-market fundamentalists

Already, a 1995 land law, only recently being implemented, allows herders to apply for the rights to use certain winter shelters. Many interpret this as entailing the rights to winter pastures around those shelters too. Rich herders have rushed to stake their claims, leaving poorer ones at a loss. A new land law, passed in mid-2002, sensibly gives Mongolians the right to own urban plots of land. But many see such ownership eventually being applied to pastures, and are laying claim now to the best ones. “Traditional unwritten law is not working any more,” says Batbuyan, a specialist in pastoralism at the Mongolian Academy of Sciences. “Younger herders don't really know the traditions. They want things written down.”

Yet privatisation, say pastoral experts (though not most economists), would be a disaster, undermining centuries of institutional best practice. Inner Mongolia offers a cautionary tale. From the 1980s, pasture was, in effect, privatised through contracting-out. One justification was the threat of a tragedy of the commons. Fencing has gone up to delineate the private land. As a result, Inner Mongolia and Mongolia are distinguishable from the air: up to 40% of Inner Mongolia's steppe is reckoned to be degraded; less than 10% is in Mongolia.

Alamy

Pastoral households, or even small groups of connected households, called *khotail*, form too small a unit to cope with the unpredictable weather and pasture conditions that characterise nomadic life. Proper mobility (sometimes the ability to move over 100 kilometres to a new pasture), and flexible access, are crucial to avoiding livestock losses and ensuring healthy herds. Private herds might one day gain the scale of former collective or feudal herds, but that is a long way off. Of some 275,000 households that own livestock, fewer than 1,000 have more than 1,000 animals. In the meantime, ways need to be found to make herding more co-operative.

One priority is to improve access. Outside Choibalsan, Dornod's capital, one herder, Ovgii, said he moved a year ago from the better pastures around Sumber, 300 kilometres to the east, because he can get more for his livestock: 40,000 tugrugs ($39) for a cow in Choibalsan, compared with 26,000 tugrugs in Sumber. Improved roads would lessen the discrepancy, and encourage more of the private co-operatives that are only now starting to take off, with groups of herders pooling resources for marketing and transport. Better roads would also improve distant herders' terms of trade, by lowering the price of flour, tea and Chinese consumer goods. Already, better information about market prices of produce such as cashmere, broadcast by radio, improves herders' bargaining power when traders come to buy wool.

Meanwhile, says the World Bank's Mr Mearns, herders need to share better the risks that collectives used to bear. Partly, this involves organising fodder provision, water supplies and pasture management. It also means spreading financial risk. One idea being developed with World Bank support is livestock insurance, with pay-outs calculated from data on a district's livestock mortality, weather and (using satellite imagery) vegetation growth. If growth failed, pay-outs to herders would be based on their livestock holdings.

Gankhuayg, a young former *soum* governor from Khentii province, argues for sweeping administrative changes, reshaping the artificial boundaries of the 300 *soum* set up under socialism, or even doing away with many of them; in effect, recreating *hoshuu*, the banners of old. That, advocates say, would better reflect the way herding is more intensive nearer the towns. It would also allow for more traditional roaming in remoter areas, including reciprocal access, for something approaching the large herds of former times. “The people who remain in those remote places,” says a Mongolian specialist in pastoralism, “will be Mongolia's toughest.”

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Dogs

It's a dog's life

Dec 21st 2002
From The Economist print edition

Magnum

From hard labour to a beauty contest

A BORZOI flirts with a Pekingese; a Great Dane with a Chihuahua. How does each even know that the other is the same species as itself? No other animal possesses such variety, nor such manifest genetic elasticity. Nor, probably, has any other animal had its genes so manipulated to please human fads and fancies.

It is not entirely a one-way street. Dogs, those self-domesticated wolves, are adept at manipulating their chosen companions. Dog owners take a heap of punishment from their beloved pooches: trudging round in the rain, spending their all on vets' bills, apologising to undoggy people for yapping or biting or smelling. And not just these days. Remember Launce, the man-servant in Shakespeare's “Two Gentlemen of Verona”, who took the punches on himself when his wicked dog Crab stole a pie, killed a goose or pissed in the dining chamber?

Owners can be saps but they have, over the years, done some very strange things to their mutts. To fit in with passing fashion, dogs have been stretched and shrunk, their noses pushed and pulled, their coats curled and straightened, their skin wrinkled—and not with age. This “painting with dog genetics”, as someone cleverly called it, is a relatively new development.

It is true that dogs, which began distinguishing themselves from wolves well over 12,000 years ago, have always adapted themselves, or been adapted, to fit with human requirements, growing longer legs for hunting, bigger bodies for guarding, thicker coats for sled-pulling. Their temperaments changed too: a guard dog knew it must bite, a herding dog knew it must not. But except for the over-privileged few, who were happily sybaritic as the cherished pets of the great and good and rich, these dogs worked for their living, and they were bred selectively to make them better workers.

All this changed in the second half of the 19th century. With the birth of kennel clubs (first in Britain in 1873, followed closely by the American Kennel Club), breeding clubs and dog shows, a dog's life changed from hard labour to a beauty contest. Although about eight out of ten pure-bred dogs never see the inside of a show ring, there are now aesthetic, rather than workmanlike, standards that breeders, and many owners, aspire to. All a dog has to do, writes Desmond Morris, in his excellent dictionary of dogs, is “to look good, walk proudly and not bite the judges”.

Until then, dogs were mostly dogs. Owners of canine aristocrats proudly trace their animal's descent back to the pharaohs, Aztec kings, Spanish conquistadors, Chinese empresses and so forth. And indeed there were modern lookalikes in ancient times: something looking like a saluki is said to have turned up in western Asia in 3000 BC. The Romans specified six types: guardians, shepherds, sporting dogs, war

dogs, scent hounds and sight hounds. But there was always a fair amount of cross-breeding and, even in relatively modern times, most dogs that were not dismissed as curs or lurchers, fell into the general categories of mastiffs, collies, terriers or pointers.

Purity of the breed

Today there are 300-400 separate breeds recognised by kennel clubs worldwide (196 recognised by Britain's Kennel Club, and 156 by the American Kennel Club). And these recognised breeds are being split into ever smaller, more precise categories: there are now, for instance, two types of cocker spaniel, and two types of Welsh corgi, each with its own gene pool.

The separation of genes is crucial: the purity of each breed, or sub-breed, is zealously preserved and protected. The only qualification needed to register a puppy with most kennel clubs (and thereby to obtain the pedigrees that are essential for successful showing, breeding and trading) is that both its parents were registered as pure-breds of that particular breed.

Stephen Budiansky, the author of a terrific book, “The Truth about Dogs”, suggests that this obsession with dog purity originated in late Victorian Britain, and has a touch of racist eugenics about it. He mentions books and articles written at that time, and into the 20th century too, that excoriate mongrels and other weaklings for contaminating the purity of bloodlines. The inbreeding to preserve the purity of small-population breeds sometimes has results that get him thinking of the haemophilia that ran through the blood of all those royal European cousins.

The physical standards that each breed should aspire to are laid down by the kennel clubs in meticulous detail. The British rules for a bulldog's head go on and on for no fewer than 240 words; a pug's foot should be “neither so long as the foot of the hare, not so round as that of the cat”; a King Charles spaniel must have a coat that is “long, silky and straight...never curly”; a Pekingese should have a “slow, dignified rolling gait in front...close action behind”, and so on through thousands of daunting, sometimes poetic, words of aesthetic instruction. Since the judges at the all-important dog shows assess an entry according to the exactitude with which it conforms to these arbitrary standards (“this little girl took my eye...wish she had more wrinkles”), an ambitious breeder will exert him or herself to design a replica.

The first dog show was a social affair held by English aristocrats to raise money for charity. Now they are a deadly serious competitive sub-culture: mighty battles of pride and money against a sometimes murky background of back-biting and back-handers. A blue-ribbon dog, the very model of a champion, fulfilling every condition in the rule-book, is the parent that all ambitious breeders want for their puppies, passing on his aesthetically perfect genes.

There are sometimes regulations limiting the number of litters a bitch may produce. But there have been none, at least until the Netherlands introduces some incendiary new rules next year, about the number of times a champion sire can mate, or his semen be used. So the proud beauties give of their best, again and again, even father to daughter or brother to sister, to produce the perfect breed-standard specimen. Over-use is the rule rather than the exception. It is almost, in Mr Budiansky's inimitable words, cloning the old-fashioned way.

But, alas, the almost-cloned puppy carries its parents' imperfections as well as their aesthetic perfection: unwanted genes are channelled down, in ever greater concentration, alongside the desired ones. There is nothing inherently evil about inbreeding dogs, or line-breeding as it is cosmetically called. Similar methods are used all over the place, for instance in the breeding of dairy cattle. But, unchecked, it can, and is, producing lamentable results.

Diseases, disorders and disabilities

These are basically of two kinds, though inter-linked. First, the inherited diseases and disorders. With the intense use of “popular sires”, especially in the rarer breeds with small populations, the animals within a breed become ever more closely related as the generations go by. Undesirable traits, from weak hearts to weak eyes to weak hips, are passed down the line along with the bushy tails and bright eyes. Responsible breeders will not mate an afflicted animal; but many dogs are silent carriers, showing no sign of the disorder themselves but passing recessive mutant genes on to their offspring.

Alamy

The quest for perfection

In the closed-book breeding conditions that prevail, which allow for no cross-breeding or diversity to creep into the blood, certain defects have become breed characteristics: blindness in setters, for instance, or heart disease in boxers and Boston terriers, or deafness in Dalmatians, or hip dysplasia, that disabling misfit of ball and socket in the hip joint that troubles a large number of different pure-breds.

Cross-bred dogs are not immune. But, refuting the old racist ideas about degenerate mongrels weakening the race, actuarial statistics worked out by pet-insurance companies, and quoted by Bruce Fogle in his encyclopedia of dogs, show that cross-bred dogs have a median life expectancy of 13.2 years compared with the seven years of some pure-breds, including bulldogs and Irish wolfhounds.

Second, there is the exaggeration of certain desired physical features to the point where they harm the dog: a creeping extremism, done in the name of fashion, that causes disorders. Man, or woman, decides that it would be nice to make dogs bigger or smaller, or with squashier faces and noses, or with hairier coats, or with ever more wrinkled skin. When carried to an extreme, it has led to many breeds of dogs being unable to breathe or reproduce or move in a normal way.

Humans have done extraordinary things to their animals. Much of the dog-designing is well intentioned. Sometimes it has positive results: the exquisite sense of smell of some dogs, for instance, has been fine-tuned to help to sniff out drugs or, more excitingly, to detect the early signs of prostate cancer before a scan can do so. Much of it is harmless: West Highland terriers, for instance, were bred to have white coats after a careless owner shot his brown pet by mistake for a fox.

But the results of genetic redesign are not always so benign. Bulldogs, it was decreed, should have big heads. Now they are so big that they cannot pass through the birth canal and most bulldogs have to be born by caesarean. Dachshund bodies were lengthened, giving them hernias. German shepherds, once straight-backed, looked more alert with sloping backs; but this has done their hips in. Spaniels, it was decreed, should have longer, heavier ears; but this has affected the ear's anatomy. And a veterinary surgeon's nightmare sometimes comes true: the eyeballs of a Pekingese can actually pop out.

Working dogs are often turned into something else. The Yorkshire terrier, once a tough little ratter, has been miniaturised, resulting in slipped kneecaps and collapsed wind pipes. Mr Budiansky tells of American owners of Border collies who unsuccessfully fought to keep their working dogs off the list of recognised breeds for fear that they would be transformed into furry, useless creatures.

And fashions have a tendency to change. In the late 19th century, it was thought that it would be nice if the King Charles spaniel had a flatter nose. Then, in the 1920s, an American noticed that the little dog in a Van Dyck painting of Charles II had a long nose. So the King Charles had its nose lengthened again to make a new breed, the cavalier King Charles, which has become immensely popular and intensely inbred—and whose heart troubles now shorten the life of affected dogs by four or five years.

The marvels of science

Kennel clubs and breed clubs, cast as snobbish or money-grabbing villains by some animal-rights groups, are acutely alive to the increasing prevalence of inherited diseases among their pure-bed dogs. They differ, however, over how to tackle the problem. The Dutch Kennel Club, deciding that the times are serious enough to justify desperate measures, is passing stiff new regulations; others hope to achieve much the same result with information, incentives and peer pressure. All are helped by the scientific explosion in DNA-testing for hereditary diseases.

The testing is crucial to avoid passing on recessive mutant genes that do not show up in any obvious way in the parent, but can kill or maim or blind its puppy. Identifying a dog or a bitch as a carrier would not ban it from being mated: a single recessive mutant gene does no harm, and to ban the animal would shrink an often tiny gene pool to an even tinier one. The trick is to prevent it being mated with another carrier. That is what is fatal: if two carriers mate, some of the offspring inherit a bad gene from both dam and sire, and are thus hit by the disease.

For the moment, DNA tests for dogs are available for fewer than 20 diseases, affecting some 50 breeds. This is only a beginning: dogs are known to suffer from 350 inherited diseases. Of those, the precise mode of inheritance is known of about half, and is usually a single gene mutation.

The British Kennel Club showed that it took all this seriously by appointing a molecular biologist, Jeff Sampson, to be its canine genetics co-ordinator four years ago. All the same, British DNA-testing is severely limited, mainly because it costs so much. It is, however, used to detect PRA, a form of blindness that affects a number of breeds, including Irish setters and Cardigan Welsh corgis, and CLAD, an immune-deficiency disease, that afflicts several types of setter. Enormous store is set by this testing. The CLAD test was introduced only in 2000, when it was discovered that 12% of the breed suffered from it; but the tests are going so well that the Kennel Club believes that all setters should be clear of the killer disease by 2005.

Testing is both more popular and more possible in America, where the Kennel Club, the Canine Health Foundation and breed clubs pour money into genetic and other research, amounting to at least $1.4m this year. DNA tests are available for a range of diseases including haemophilia for Cairn terriers, muscular dystrophy for golden retrievers, and narcolepsy for dachshunds, Dobermanns and Labradors.

Of course, in America as everywhere else, there will always be greedy, unscrupulous breeders, and every breed club has a different code of ethics. But there is considerable peer pressure, the American Kennel Club insists, to test a dog early for whatever disorder tends to afflict that breed. Early auditory tests for Dalmatians have cut down their deafness, orthopaedic X-rays for German shepherds are helping with their hip trouble. A breeder who skips corners, claims the club, is a bit of an outcast: to have certified tested dogs is a mark of honour.

But it is the Dutch who are ahead of the field. The Dutch government has signed the European Convention for the Protection of Pet Animals, which obliges member states to safeguard the health and well-being of their pets by national legislation, and the Dutch Kennel Club takes the obligation seriously. During the 1990s, it carried out health inventories to see if there was truth in the belief that pure-bred dogs, because of inbreeding and exaggeration of type, suffered from more genetic problems than other pets. The answer was an emphatic yes: in every one of the 30 breeds of dog surveyed, the incidence of hereditary problems was unnaturally high.

The Dutch Kennel Club puts less faith than others in testing, arguing that most diseases and disorders still do not have suitable, or affordable, testing methods. By the time science has caught up with the problem, harmful genes may have spread all over the breeds, both in visibly affected dogs and in a much larger group of invisible undetectable carriers.

The cause of the problem, kennel-club experts concluded, was current breeding policy. So they decided to cut down the inbreeding. And since persuasion, they felt, had got nobody anywhere, they decided to make the changes mandatory. Until now, the Dutch Kennel Club, like its fellows, had to issue a pedigree to any puppy born of two certified pure-breeds of the same breed. But, from the new year, the Dutch will issue two sorts of certificate. A pedigree will be given only to puppies bred under stipulated breed regulations; puppies that do not meet this standard, will get a mere “certificate of descent”.

Over the past few months, the various Dutch breed clubs have been working out the regulations for their specific breed. By far the most controversial of these rules tackles the “popular sire” syndrome: the over-use by breeders of a single champion dog. From now on in the Netherlands, the number of times a particular dog is allowed to be used for mating will depend on the size and the problems of his specific breed. For instance, if a dog is allowed only 12 matings, the breeder of the puppies from the 13th mating will be denied a pedigree certificate.

The Dutch, with their touch of autocracy, are exploring this new route, insisting on more diversity within a breed and punishing those who refuse to comply. Other clubs demur, saying their members do not like being ordered about, and would rebel against rules and regulations. It is nicer, they say, to be gentler. But can the Dutch experiment be extended to undoing some of the harm caused by exaggerating the way

certain dogs look?

Since breeders want their dogs to win at shows, and judges assess the dogs by breeding standards, the logical step would be to change those standards. On this point, however, there have been only the smallest of small concessions to health and well-being. The standards no longer call for anything to be “excessive”; indeed, that is discouraged. And diamond-shaped eyes, which caused all sorts of eyelid troubles, are no longer demanded. But all this touches only the edge of the problem of dogs that have been disabled by a whim of human fashion.

The notion of diversifying within a breed is controversial; outside it is still taboo. Nobody wants to end the joyous variety of dogs. And dogs themselves can be tremendous snobs. “I am his Highness' dog at Kew;/ Pray, tell me sir, whose dog are you?” wrote Pope, with understanding. But they would flourish more if breeders tried harder to ensure that each generation reflected a greater diversity, perhaps injecting a drop of hybrid vigour into the narrowing aristocratic bloodlines. The circular world of breeders, kennel clubs and dog shows rules against this. But it is not much good looking drop-dead gorgeous if you are going to drop dead.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Republicans and Tories

A tale of two legacies

Dec 19th 2002 | COLORADO SPRINGS AND LONDON
From The Economist print edition

Corbis

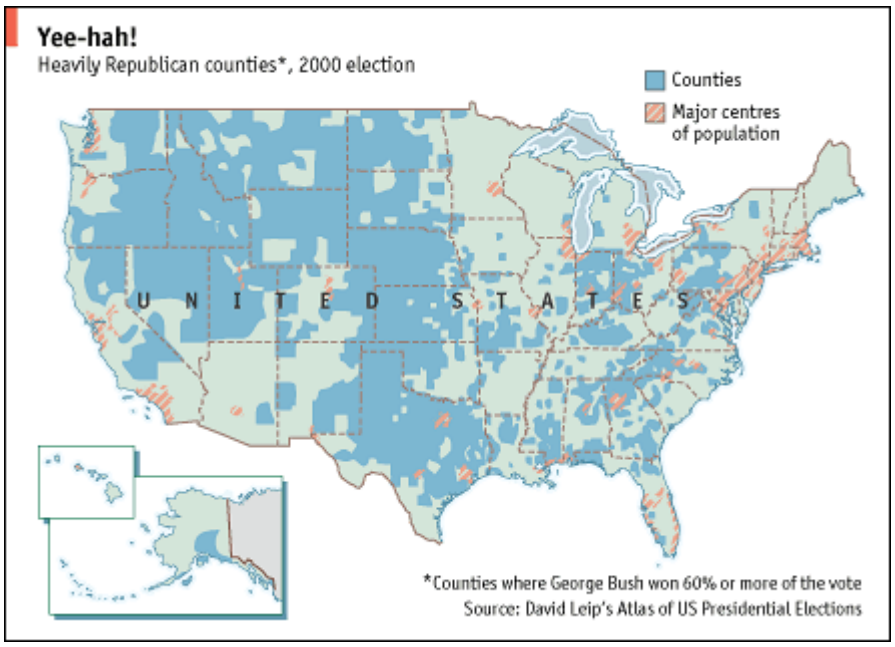
Why are the heirs of Ronald Reagan doing so much better than Margaret Thatcher's?

IN THE 20th century, the British Conservative Party could claim to be the most successful electoral machine in the western world—a national party that seldom spent more than one term out of power and that adapted to change (the loss of empire, socialism, two world wars) with patrician ease. Rather than becoming a party of the embittered landed gentry, the Tories embraced the middle classes by maintaining a stance that was consistently just to the right of the centre of British politics—stressing patriotism, the family, business, lower taxes and individual freedom.

By contrast, America's Republican Party had a more chequered record—and not just because it won fewer elections. For most of the century it was a regional affair, centred on the north-east. Until the 1960s, it was almost absurdly un-ideological: its positions were interchangeable with those of the Democrats. Dwight Eisenhower, the only Republican to break the mid-century Democrat grip on the White House, prided himself on being above ideology. (“His smile was his philosophy”, a contemporary observed.)

Now the positions are largely reversed. After two humiliating election defeats, the Tories are a regional party: they have been beaten back to the English shires, with just one seat in Scotland, none in Wales and hardly any urban English seats. And ideologically, the Tories are a mess, hung up on piffling non-issues such as fox-hunting.

The Republicans, by contrast, are now much closer to a national party (see map). And they are a stridently ideological bunch. On many issues—abortion, tax cutting, the environment, unilateralism—George Bush has dared to take positions to the right of his compatriots.



Why has this reversal of fortunes come about? The answer has a lot to do with individual mistakes and triumphs. But America's new status as the unchallenged citadel of modern conservatism also points to a deeper gulf in attitudes.

Not long ago, the two parties were advancing in lock-step. Two fire-breathing conservatives, Ronald Reagan and Margaret Thatcher, were followed by two gentler sorts, George Bush senior and John Major, who were then clobbered by two leftish moderates, Bill Clinton and Tony Blair. But now, the Republicans are rampant while the Tories fret that they may lose second place to the Liberal Democrats. On November 5th, the day George Bush junior led his legions to triumph in the mid-term elections, Iain Duncan Smith, the Tory leader, was reduced to warning his squabbling party to “unite or die”.

This asymmetry matters to both parties. Republicans and Tories share strong emotional ties, rooted in a sense that together they changed the world. Some Tories date Thatcherism back to Barry Goldwater's presidential campaign of 1964, which ended in failure but redefined conservatism as a radical anti-government philosophy: “I have little interest in streamlining government or in making it more efficient, for I mean to reduce its size”, he wrote in “The Conscience of a Conservative”, one of Lady Thatcher's bibles. For their part, Republicans still talk about the influence of Sir Keith Joseph and free-market Tory intellectuals in the 1970s. “They were crucial,” says Bill Owens, the governor of Colorado. He hails Lady Thatcher as the “first western American conservative”.

What has happened? The conventional answer on both sides of the Atlantic is to stress the exceptionalism of the Tories—to spin a tale of their misfortune and ineptitude: how they came up against the demonic Mr Blair, how they have been pulled apart by Europe, how they lost their reputation for economic nous under John Major, how they have chosen poor leaders—most recently, Mr Duncan Smith.

The corollary of this conventional wisdom is that the Tories' way back to power is to copy Mr Bush's “compassionate conservatism”. This year's surprisingly successful party conference in Bournemouth was a deliberate attempt to mimic the multicultural Philadelphia convention that nominated Mr Bush. Blacks, Asians and young people appeared on the stage, as the party's new leopardskin-shoed chairman, Theresa May, tried to usher in the future.

Oliver Letwin, one of the Tories' top thinkers, argues that British politics are now closer to America's. The debate no longer pits socialism against the free market. Rather, it is about the role of the state, with the Labour Party, like the Democrats, favouring an active central government, and the Tories, like the Republicans (and, he adds mischievously, “half of Mr Blair”), trying to devolve control to the local level—giving people more power over their schools, hospitals and policemen.

This looks sensible as a long-term strategy for the Tories. But in the short term, they face problems in imitating Mr Bush—not least because they lack a testing ground for their ideas. As governor of Texas, Mr Bush could point to real examples of compassionate conservatism—such as his successful education policy.

There is also the problem of the man at the top. Mr Bush certainly came from an old political dynasty,

but, like Messrs Blair and Clinton, he was of a new generation, and from outside Washington. He broke ranks with his party's extremists by denouncing the Republican Congress for trying to “balance the budget on the backs of the poor”. Mr Duncan Smith, by contrast, is close to a stereotype of Tory stasis: a bald man in a suit with an upper-class name and tough views on crime and the euro.

The Tories' organisation is woeful too. Earlier this year, a small team led by Mr Duncan Smith visited Washington. Bragging about his connections later in the evening, one of his advisers was asked whether he had met Karl Rove (Mr Bush's Svengali). “Who?” came the reply.

But are the Tories really the odd one out? They are not the only rightish party to have fallen out of step with the Republicans. Canada's Conservative Party has imploded. Europe's centre-right parties are neither as vigorous nor as right-wing as the Republicans. The more you think about it, the clearer it seems that the Republicans are the exception.

America, the different

It is not just a matter of political success, but of philosophy. It is hard to think of any European party that would have pushed through a tax cut as large as Mr Bush's, that would have junked the Kyoto Protocol, that would campaign so fiercely for the right to bear arms and the death penalty, that would make such a moral crusade out of abortion, that would declare war on an “axis of evil”, that would support Israel so singlemindedly or that would openly smirk at the United Nations.

Leave aside pensions, (which the Tories are keener to privatise than Mr Bush is), and the Republican Party takes a more radical line on almost every issue than its peers anywhere else in the industrialised world. It is also anchored in a populist movement whose scale has no equivalent in Europe. To see why, consider two scenes: Colorado Springs and Grover Norquist's Wednesday meeting.

Nestling under Pike's Peak, the mountain that inspired “America the Beautiful”, Colorado Springs is now one of America's most successful cities—the home of “Silicon Mountain” and much of the US Olympics bureaucracy. It is also one of the most conservative. Almost all the local politicians are Republicans; this year more Libertarians than Democrats ran for the state assembly—and, as Joel Hefley, the local congressman, puts it, “plenty of our Democrats are more conservative than any north-eastern Republican”.

Colorado Springs has long had a military connection, and it remains one of the favourite places for old soldiers to retire. But in the past decade, the town has added two more evangelical strands of conservatism. First, it has spawned a tax-cutting movement, which in 1992 pushed through a Tax Payers' Bill of Rights that bans Colorado's politicians from raising any tax without the electorate's permission.

Second, in 1991, the town's leaders, battling with a recession that had left it the “repossession capital of America”, lured in Focus on the Family, a huge Christian ministry founded by Jim Dobson. There are now 100 or so other Christian organisations in the town. As a charity, Focus is banned from being directly involved in party politics, but the group, which employs 1,300 locals, is enormously influential with conservatives. More than 8m Americans listen to Mr Dobson's broadcasts each week, and it is now de rigueur for Republican presidential candidates to make a pilgrimage to Focus's campus.

Wander around America—particularly southern and western America—and you find plenty of towns that feel like Colorado Springs. While only one in five Americans will accept the moniker “liberal”, nearly a third call themselves “conservative”. For all their disdain for Colorado Springs, the cultural capitals of Hollywood and Manhattan remain the exception, and the much disdained “flyover” land that lies between them is the rule.

Crucially, the Republican Party's base is united by culture, not class. The best predictor of Republicanism among whites is not income, but church attendance. In 2000, Mr Bush lost nearly half the votes of people who earned more than $100,000 a year. The Republican Party is also populist. The archetypal Tory activist reads the establishment *Daily Telegraph*; the archetypal Republican listens to Rush Limbaugh howling against Washington (and is shocked to find that conservative talk-shows do not exist in Europe).

Nonetheless, the party has far greater intellectual firepower than its European equivalents. To get a flavour, visit Mr Norquist's weekly meeting of Americans for Tax Reform in Washington, DC. This used to be an eccentric affair: the unhygienic libertarian types who came were known as “droolers”. Nowadays, more than 100 people attend: Christians, NRA lobbyists, home-schoolers, free-marketeers, contrarian

blacks and, of course, politicians.

The gathering is impeccably egalitarian: grandees such as Governor Owens or Newt Gingrich sit next to interns. The table is littered with bagels and reams of flyers, op-eds from the *Weekly Standard,* booklets about government waste and papers from the Cato Institute, the Heritage Foundation and the American Enterprise Institute (each of which is bigger than all the Tory think-tanks put together). People from the White House and Congress give briefings ; congressional candidates who need money are introduced.

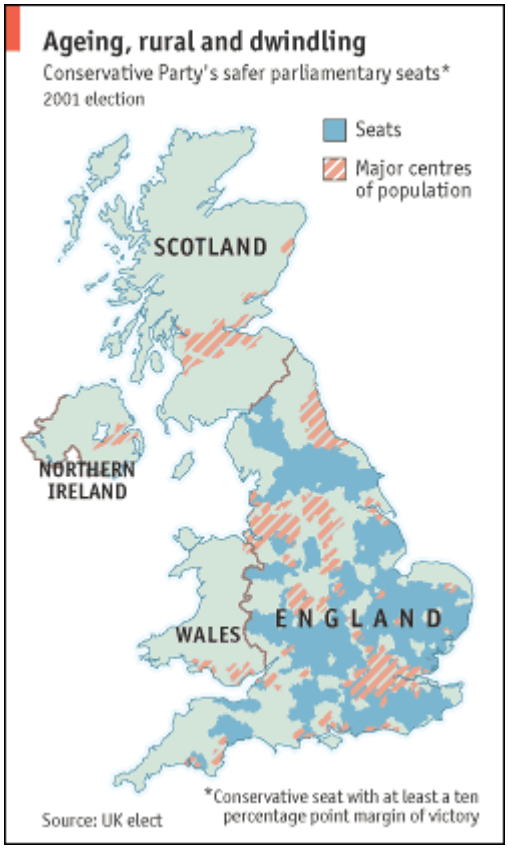
Afterwards, many activists jump into taxis to head for Capitol Hill, and a lunch meeting hosted by Paul Weyrich of the Free Congress Foundation. Many reassemble for drinks at Mr Norquist's house in the evening. These are the people who go to “Dark Ages” weekends (the conservative movement's answer to the Clintonian Renaissance weekends) or go on conservative holidays (one recent offering: an ocean cruise to celebrate the liberation of Grenada, hosted by Oliver North).

Other political parties have their clubs and meetings. But they do not have the same omnivorous reach, the same devotion to an agenda, and the same sense of struggle. When Hillary Clinton talked about a vast right-wing conspiracy, she was exaggerating—but not much.

Right and wrong

Looked at from this perspective, it is hard to imagine the Tories ever being able to copy the Republicans. It is hard to make morality a political issue in a secular country. David Willetts, the Tories' other brainbox, guesses that barely one in 50 British families say grace regularly before meals; in America, the number is close to half. Lady Thatcher's attempt to introduce God into her party—a strange sermon in Scotland—produced giggles; Mr Major's “back to basics” campaign was a disaster.

If the Republicans' recent past offers fewer hopeful clues for the Tories than both parties imagine, the Tories' recent past may actually offer more ominous portents for the Republicans than is commonly acknowledged. Look back to Margaret Thatcher's three great election victories, and you discover that she never won more than 44% of the vote. She won because the opposition was split. When Labour got its act together, the Tories faced tougher times—particularly once they lost their reputation for economic competence and surrendered the middle ground.



Although Mr Bush has a very long way to go before he reaches the chaotic last days of the Major government, he has problems on both these counts. On economic issues, polls show that voters trust the Democrats more. That may be unfair: America's problems stem from the bubble built up under Mr Clinton. But Mr Bush's tax cut could yet seem politically reckless.

As for the centre ground, conservative Colorado Springs may indeed be closer to the American norm than liberal Greenwich Village; but America in general is a more tolerant, less religious, more promiscuous, less orderly place than Colorado Springs. If the Republican Party is about culture, it is losing the culture war: 8m may listen to Focus on the Family denounce homosexuality, but 20m watch “Will & Grace”, a gay sitcom. Despite Mr Bush's success in November and the right's claims to populism, the Democrats have won more votes at the past three presidential elections.

The Republicans tend to pooh-pooh suggestions that the president is driving too hard to the right. They claim that trends are moving in their direction. They are the party of entrepreneurs rather than government employees, of growing suburbs rather than declining inner-cities, of limited government rather than top-down control, of the expanding south-west rather than the stagnant north-east. Look at their success in the mid-terms.

But the signs are not all so optimistic—as America's most futuristic state shows. Even set beside the Tories' conference in Bournemouth, the California Republican Convention, which took place 10 days

earlier in Anaheim, was depressing. The party that spawned Mr Reagan and the tax-cutting movement used to have a lock on the governor's mansion in Sacramento. But this year, despite the blackouts and the Democratic incumbent's consequent unpopularity, the Republican challenger, Bill Simon, still lost by five points.

In California, Republicans have managed to alienate two groups: Latinos and college-educated women. The first may be socially conservative, but they do not dislike government as much as the Republicans do (and they are still seething about an anti-immigrant proposition the Californian Republicans endorsed in 1994). The second are repelled by the intolerance of the religious right, especially on abortion.

The Republicans claim that California is an exception. But even in Colorado, Governor Owen, who coasted to re-election this year by 30 points, says that he takes the idea of "The Emerging Democratic Majority" (an interesting new book by John B. Judis and Ruy Teixeira) seriously. "What happened to the Tories and the California Republicans could happen to us if we are perceived to be intolerant," he says.

By any measure, however, the conservatism of Lady Thatcher and Mr Reagan has survived better in America than in Britain. That has something to do with personalities and chance. But it also reflects underlying moods—and by many measures (see table), America is simply more right-wing than Britain.

You can trace this back to the constitution with its stress on the individual; to America's enthusiasm for money-making; to that corny old frontier spirit. Geography also plays a part. America is a land of open spaces: demanding more freedom for individuals never seems awkward. Britain is a more crowded place: people have to share. Meanwhile in foreign policy, the most powerful country in the world has no problem trumpeting national sovereignty. Britain, weaker and still checked by post-imperial guilt, is less nationalistic.

The innate conservatism of his country might explain what Mr Bush has called his "distinctly American" approach. It also explains why the Republicans have such an advantage over the Tories. The wonder is how long it took them to discover it.

Divided by more than the sea

American and British public opinion selected issues, %

	US	Britain
Oppose/disagree with an unlimited right to abortion	46	17
Proud to be "American"/"English"	97	76
Taxation is "too low"/support higher taxation (for public services)	1	62
Approve of George Bush's increase in foreign aid	53	90
Believe in the Devil	45	13
Support a ban on the possession of handguns	32	83

Selected social indicators

	US	Britain
People earning 40% or less of median income, %	14	5
Millionaires*, % of population	0.74	0.58
Gun deaths, per 100,000 people	10.6	0.3
Average number of executions, per year, 1997-2001	78	0
Defence spending per head, $	1,059	576
Government spending, % of GDP	30	39

*Investable assets of more than $1m

Sources: Gallup; MORI; Pew Research Centre; Council for Secular Humanism; *Daily Telegraph*; US Census Bureau; UK Office for National Statistics; Merrill Lynch; *British Medical Journal*; DPIC; IISS; OECD

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Champagne

Uncorking success

Dec 19th 2002 | EPERNAY
From The Economist print edition

Alamy

Trendier new champagne brands are upsetting the industry's grand old names

TAKE a stroll down the Avenue du Champagne in Epernay, in north-eastern France, and a sense of the wealth and power of the champagne industry is immediate. At one end lies the vast fortress-like headquarters of Moët & Chandon, the world's largest champagne producer, owned by LVMH, a luxury-goods house. Then there are the more elegant 19th-century mansions belonging to smaller houses, like Perrier-Jouët, with its “Maison Belle Epoque”. Finally, you come to the modern headquarters of Mercier, where delivery trucks and tourist coaches jostle for space in the car-park.

At a time when the rest of the French wine industry is reeling from a steady decline in sales at home, and fierce competition from New World producers abroad, the French champagne industry appears unassailable. Australian or Spanish bubbly has never come close to rivalling the cachet (or the price) of real champagne. French champagne makers have defended their nectar with a clever mix of brilliant marketing and a zealous legal campaign to protect the crucial “champagne” name.

At first glance, the sales figures seem to speak for themselves. In the 1850s, before champagne became fashionable with the European nouveau riche—and when the wine was mostly sweet-tasting, a bit like today's Asti Spumante—the Champenois were selling around 10m bottles a year. A century later, in 1951, they were selling an annual 51m bottles. By 1999, as preparations for millennium celebrations got going, sales hit a new peak of 327m bottles—or more than $7 billion-worth of champagne. Currently, the champagne industry is suffering a small post-millennium hangover, as sales re-adjust to a normal pattern after the end-of-century binge. But the overall trend for the industry has been to float ever upwards, as surely as the bubbles in a champagne glass.

A family affair

Yet the venerable champagne houses are more vulnerable than their opulent mansions and booming sales might suggest. A clue to their problem lies in the geography of the Avenue du Champagne. Unlike the great chateaux of Bordeaux, the big champagne houses are not surrounded by vineyards. They are located firmly in the centre of towns like Epernay and the nearby city of Reims. That is because they are essentially trading houses that manufacture and market champagne. For the most part, they do not actually own the vineyards which produce the red and white grapes that they turn into champagne.

Drive up into the hills where the grapes are grown, and you see small stone plaques, like tombstones, which mark out the patches of land owned by the houses. One stone will mark a row of vines owned by Veuve Clicquot, another will signal ownership by Louis Roederer or Bollinger. But, largely as a result of French law, which has been structured to prevent the big champagne houses buying out smallholders, 90% of the champagne vineyards are still controlled by some 15,000 small growers. They own patches of vineyard all over the champagne district. Even mighty Moët's own vineyards produce just a quarter of the grapes it needs for the millions of bottles it churns out every year. Like almost all the other champagne houses, Moët is dependent on buying in grapes.

Relations between the growers and the houses have gone through tense periods in the past. In 1911, the growers rioted and trashed the cellars of many of the big houses, because they were buying in grapes from outside the region. It took the arrival of 40,000 troops to restore order. These days, most of the growers make a decent living, and thousands produce their own champagne, which they sell on a small scale—often to visitors who drop by their premises in the small villages that surround Epernay and Reims. The fact that vineyards have stayed in the hands of the same families—often for centuries—is reflected in the names of the small producers. In Chouilly, an ugly little village in the heart of the best chardonnay vineyards, there are directions to no fewer than six champagne makers called Legras.

For the most part, however, it is only the real champagne fans—often clutching the “Guide Hachette”, the bible of the French wine industry—who can be bothered to hammer on the doors of the various branches of the Legras family, or any of the hundreds of other small producers dotted around the region. The real marketing and sales power lies with the big houses. They account for 90% of exports, and 65% of sales in France.

Aux armes, citoyens

The champagne houses, however, are in danger of becoming victims of their own success. As production has soared, problems of supply have begun to loom. There are precious few vineyards left in the champagne region (which was carefully defined after the 1911 riots) that have yet to be planted. People in the industry reckon that champagne will have reached the limits of its production within a couple of years. When this happens, it will strengthen the position of the growers, who own the increasingly precious grapes.

Their hand will be further strengthened by a European Union ruling, which came into force in 2000, that the champagne region's long-established tradition of fixing grape prices—as part of a negotiated agreement between the growers and the houses—is anti-competitive. As a result, the price of grapes is set to soar and the champagne houses—which traditionally enjoy a gentlemanly and co-operative relationship (do not say cartel, lest Brussels takes another look)—are already being tempted to out-bid each other for grapes. One big wheel in the champagne industry tut-tuts that some of the smaller houses are behaving irresponsibly and paying “whatever it takes” to get hold of supplies. Quite what the going rate is remains perhaps the most closely guarded and controversial subject in the little world of champagne. Although the growers and champagne houses still set an “indicative” price for grapes, a system of secret additional bonuses has evolved. One champagne mogul says that the “greatest fear” of every grower in the region is that his neighbour is getting a better deal than he is. The greatest fear of the champagne houses, meanwhile, is that growers will defect to a better-paying rival.

Challenges to the traditional dominance of the champagne houses are already emerging. A couple of miles outside Epernay, on a hillside surrounded by vineyards, lies the headquarters of Nicolas Feuillatte—the newest and brashest kid on the champagne block. While most of the great champagne houses have been around since the 19th century, Nicolas Feuillatte has emerged from nowhere in the last 15 years to become the bestselling champagne in French hypermarkets and the seventh-biggest producer overall (see table). What is more, Nicolas Feuillatte is a growers' co-operative. Its pitch to the thousands of small growers is simple: don't sell all your grapes to the big champagne houses, give them to us and share in the profits and glory of your own brand. Some 4,500 growers—a third of the total—have so far taken up the offer.

The rapid growth of the Nicolas Feuillatte brand came as a shock to the champagne houses. Grower co-operatives have a long

history in champagne—as they do in the rest of the French wine industry—but they have never had a reputation for quality produce or skilled marketing. Nicolas Feuillatte confounded those stereotypes. The firm's production facilities are the biggest and most modern in the region—indeed, they are used, on the quiet, by some of the traditional champagne houses.

The co-operative's marketing has also been innovative and sharp. While the Veuve Clicquots and Moëts, naturally enough, emphasise their history and tradition, Nicolas Feuillatte stresses modernity. A tour of a traditional champagne house will always include a view of the deep underground cellars, where the champagne is stored and aged, and perhaps a tasting in a panelled room surrounded by portraits of the founders of the house. At Nicolas Feuillatte, by contrast, visitors see the giant stainless steel vats in which the wine is blended, and the above-ground temperature-controlled storerooms, where specially commissioned works of modern art are displayed. “We like to commission young up-and-coming artists, because it fits with our own values,” says Olivier Cavil, the group's publicity man, before adding, frankly, “it's also cheaper.” The brand's advertising slogan is “Epernay—New York—and Beyond”.

Nicolas Feuillatte has not risen faultlessly. On the contrary, the faster the brand expanded, the more money it seemed to lose. Intoxicated by their rapid expansion, the co-op's managers poured money into fresh investment. Eventually, the growers—who had to finance the group's losses—staged a revolt. Last year, they turfed out the managing director and installed new bosses. The group expects to return to profit only by the end of 2002.

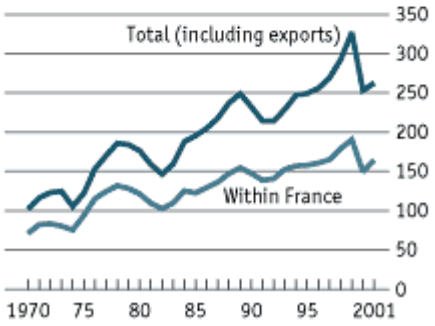
Naturally, the upheaval at Nicolas Feuillatte has been greeted with undisguised satisfaction back at the traditional champagne houses in Epernay. Yves Benard, who runs Moët's champagne business and chairs the Union des Maisons de Champagne, which groups together the biggest champagne brands, says: “The old management at Nicolas Feuillatte talked like they were on some sort of crusade against the champagne houses; but the new management are serious people.”

Top of the pops

Top worldwide champagne brands
Shipments, 2001, nine-litre cases, '000

Brand	Parent company	
Moët & Chandon	LVMH	2,275
Veuve Clicquot	LVMH	1,000
Laurent-Perrier	Groupe Laurent-Perrier	525
Lanson	Groupe Marne & Champagne	510 510
Piper-Heidsieck	Rémy Cointreau	455
Mumm	Allied Domecq	450
Nicolas Feuillatte	Centre Vinicole de la Champagne	435
Mercier	LVMH	375
Pommery*	LVMH	350
Canard Duchêne	LVMH	350
Total top 10		6,715
Total champagne		**21,885**

Champagne shipments, bottles, m



It is certainly true that, these days, the managers at Nicolas Feuillatte adopt a more humble tone. Appeals to liberate growers from their serfdom to the champagne houses are no longer in fashion. Instead, the talk is of co-existence and mutual respect. Indeed, most growers have been far too canny to throw in their entire lot with Nicolas Feuillatte—a more usual pattern is to sell some grapes to the traditional houses, some to the co-ops, and perhaps to keep some back to make your own-label champagne.

Indeed, it is the rise of the independent “grower champagnes” that has posed a second big challenge to the big champagne houses. Their great achievement—and the source of their wealth—has been to maintain the image and price of a luxury product, while selling huge volumes. The top wines of Bordeaux or Burgundy, by contrast, are usually produced in tiny quantities by small producers.

But the Burgundy story is a cautionary tale for the Champenois. Thirty years ago, the production and marketing of the top wines from Burgundy was also dominated by *négociants*: intermediaries who bought and processed the grapes from the growers, much as modern champagne houses do today. But fashions and the balance of power changed. Today, the most fashionable and costly Burgundy wines are produced by individual small growers, cultivating their own tiny plots of land—and receiving fawning profiles in magazines like the *Wine Spectator*. If a similar fashion for “grower champagnes” developed at the top end of the market, the carefully nurtured image of the big champagne labels might begin to suffer—and the competition for the best grapes in the region would only intensify.

The rise of grower champagnes threatens the traditional houses, whose great achievement has been to maintain the image and

There is little doubt that more small growers are taking the plunge and going it

alone. The Chiquet family, champagne makers in the village of Dizy, just outside Epernay, claim to have been the pioneers of the idea of “grower champagnes”. The family had been tending vineyards in the region since the 1700s, but it was not until 1919 that Gaston Chiquet started to manufacture his own champagne. His descendants are now doing well. Nicolas Chiquet, who runs the business today, says that exports of Gaston Chiquet champagnes have grown sharply: they now account for a third of all production, up from a fifth five years ago. The brand, for example, is now stocked by London's poshest wine store, Berry Bros. and Rudd.

price of a luxury product

There are now over 4,000 different champagne makers. Mr Chiquet reckons that the small growers benefit from a burgeoning consumer interest in knowing more about a product: where did it come from and who made it? He admits that small growers, no matter how inspired, will not always be able to match the results of the big houses, which have a wider choice of grapes to blend from. Indeed, some small growers produce inferior stuff that is thin and acidic. But the small production runs of the best growers allow them to devote that much more attention to each bottle. Some growers, like Gaston Chiquet itself, R & L Legras in Chouilly and Marguet-Bonnerave in Ambonnay, regularly get high praise from wine critics.

The mystique of the single vineyard or the inspired winemaker are already crucial to the images of most posh wines outside champagne. But they are not tools available to the big champagne houses, which achieve consistency, quality and volume by blending different grapes from different vineyards, and indeed different years, in industrial quantities.

To an extent, the champagne houses have seen the threat coming, and are moving to head it off. In the past couple of years, for example, both Moët & Chandon and Nicolas Feuillatte (which, in volume and marketing terms, now ranks among the big boys), have begun to produce new ultra-exclusive champagnes. These stress that they are produced from a single grape variety, and a particular vineyard.

If this is the way the fashion is going, the big champagne houses are determined to claim the business for themselves. And they seem to be succeeding. Perhaps the two most expensive and successful champagnes, which are based on grapes from particular vineyards, are Clos du Mesnil (which can reach *euro*370 or $370 a bottle) and Salon—both of which are produced from chardonnay grapes grown around the village of Mesnil-sur-Oger. Both are also owned and made by big houses: Clos du Mesnil is produced by Krug, Salon by Laurent-Perrier. The small growers may already have missed their opportunity to colonise the top end of the market.

Big bubbles rising

The skill with which the big champagne houses have faced down the threat from their smaller rivals and co-operatives like Nicolas Feuillatte suggests that they are well-placed for the future. The bottle-neck in the supply of vineyards, and the consequent rise in grape prices, are clearly a looming concern. But the big houses are already moving to protect themselves.

Alamy

Moët, for example, has been carefully building up the number of vineyards it controls. It has sold two of its lesser labels—Lanson and Pommery—while hanging on to their vineyards. These now supply the grapes for Moët's more important brands: Moët & Chandon, Dom Perignon, Veuve Clicquot and Mercier. The big growers are even muttering about expanding the limits of the champagne region. It is a sensitive matter. The last time they tried this, a century ago, the growers attacked their mansions on the Avenue du Champagne—and they are likely to resist again.

History suggests that the champagne houses will find a way to continue to grow and prosper. There is, however, one dark cloud that the champagne world may not be able to dodge: a world recession. The prosperity of the champagne region has closely tracked the fortunes of the world economy over the past century. There has been a long-term boom, punctuated by periodic busts. Indeed, because champagne is a good-time drink, its booms and busts, like those of other luxury goods, tend to exaggerate the cycle. The 1930s are still remembered with a shudder in the

champagne region; the economic downturn in 1991 also prompted a serious slump in sales of bubbly. If there is a war or a big recession this time, the champagne region's fear of running out of grapes may come to seem a distant and fond memory.

The grapes of froth

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

The earliest ambassadors

Sent abroad to lie

Dec 19th 2002
From The Economist print edition

The life of an ambassador—mansion, limousine, servants, a slight chance of violent expulsion—is now as glamorous as in Holbein's painting. It was not always so

Bridgeman

PERMANENT ambassadors came on the scene at the end of the 15th century, almost by accident. They became permanent largely because it was convenient for their rulers to leave them where they were. In other words, they got stuck.

Formal visitations by envoys, dipping into a country and out again, were commonplace by then and well organised. As an ambassador negotiating a peace treaty, you would be given sumptuous lodgings and, if peace was wanted very badly, showered with silver cups and greyhounds. The life of the long-term envoy was more precarious than this. Since they found their royal hosts disinclined to long-term hospitality, they had to combine a few sparkles of high life with a lot of fending for themselves. As foreigners, they were victims of prejudice to an almost comic degree. As for their diplomatic brief, the state of communications in the 1490s meant that they were usually reduced to making it up as they went along.

This article features the English travails of four men: Dr Rodrigo Gonzalez de Puebla, envoy from Ferdinand and Isabella of Spain, in London from 1495 to negotiate the marriage of their daughter Katharine with Henry VII's son Arthur (a marriage that lasted only six months. Katharine then wed Henry VIII, who abandoned Catholicism to divorce her); his rival Pedro de Ayala, originally the Spanish envoy to Scotland; Raimondo Soncino, envoy from the Sforza dukes of Milan; and Andrea Trevisano, from the Signory of Venice. Unlike de Puebla, these last two had no pressing business in England. They seem to have been sent in 1497 because the country was rich and its king was powerful, and with no other brief.

First, however, they had to get there. This filled them with dread, for even Venetian ambassadors did not much like the sea. Long delays were also likely. “In default of wind, tide and shipping”, envoys were sometimes held up for weeks at Calais. When their small ship sailed, they shared it with their horses. These were not just useful transport but, far more important, status symbols, much like big cars nowadays. Other countries' envoys would note the precise number and send it home. Ten horses was poor; 20 was standard, a number even the Scots could manage sometimes; 30 was impressive, the sort of figure expected from the profligate French.

Lacking horses, you could still cut a reasonable figure with a large number of gold chains round your neck. These, too, were noted and roughly valued by all who saw them. Chains worth £1,000 or more (in days when a small ship might set you back £40) were considered ambassador-class, though it was not always wise to flaunt them in England. “There is no country in the world”, wrote a Venetian friend of Soncino's and Trevisano's, “where there are as many thieves and robbers as in England; few venture forth alone in the country, excepting in the middle of the day, and fewer still in the towns at night, and least of all in London.” So with chains stowed and horses assembled, still groggy from *mal de mer* and in dread of being mugged, the new arrivals slowly made their way on unspeakable roads from Dover up to London.

Servants were also a status-indicator; but here the permanent envoys seem to have done badly. Had they been on a specific mission, they would have had lower-ranking underlings in the delegation, each with a specific job (the third-ranker usually found the lodgings for the night), besides a crowd of “people”

for show. As it was, they seem merely to have had a few servants to shop and tidy their clothes. Soncino and Trevisano both had number-twos, partly for safety in numbers, but de Puebla, who was crippled, Jewish and ugly, seems to have been a loner.

England surprised them with the beauty of its fields, valleys, woods and water, and not least with its weather. “The rain falls almost every day during the months of June, July and August, and the islanders say they never have any spring here,” wrote Soncino's Venetian friend. The food was good, especially the fish, but the water was undrinkable and the home-grown wine past contemplation. Instead, envoys tried the beer and ale: “These liquors are much liked by [the English], nor are they disliked by foreigners, after they have drunk them four or six times.”

As foreigners, the envoys were objects of great curiosity. Even in London, which was full of foreign merchants, outsiders were stared at as though they had fallen from the moon. A visitor from Trento in 1497 found, to his surprise, that Londoners chased after people, kicked them and beat them, simply for being Italian. Soncino's Venetian friend recorded that Englishmen thought that there were no men other than themselves, “and no other world but England; and when they see a handsome foreigner, they say that ‘he looks like an Englishman', and ‘It is a great pity that he is not an Englishman'; and when they partake of any delicacy with a foreigner, they ask him ‘whether such a thing is made in *their* country?'” In short, “They have an antipathy to foreigners, and imagine they never come into their island, but to make themselves masters of it, and to usurp their goods.”*Plus ça change.*

Bright tights, big city

London itself, when the envoys reached it, astonished them. The goldsmiths' and silversmiths' shops in Cheapside alone, they reported, were like all the shops of Florence, Venice and Milan rolled together. Soncino's landlord, who rented him a room in an ordinary private house, had silver plate worth £20 (the lower limit for being considered a “person of consequence”). Even inn-keepers laid their tables with silver cups and spoons. Soncino and his friend were hardly surprised to find, as they dined in his lodgings one morning, small pearls in their mussels. The whole place seemed larded with wealth and display. That same year the Bishop of Cambrai, sent to London from the luxury-loving court of Burgundy, complained that his salary of 600 gold florins was not possibly enough “when going on embassy to rich and very ostentatious people”.

Living in England, as Cambrai had anticipated, was extremely expensive. The tables on this page give a rough guide to daily living expenses, and compare *per diem* payments for temporary envoys in the other important countries of Europe. The income of de Puebla, Soncino and the rest was much more precarious than this, and their letters home (though no doubt exaggerated for effect) tell desperate tales of poverty. They themselves were not on *per diem*s, but had been sent with a pot of money that had to be topped up somehow, usually by merchants from their own countries, who were somewhat elusive and set their own exchange rates.

Fun, then forgiveness

Cost of living, London, mid-1490s
pounds, shillings and pence sterling*

Horse, saddle, bridle and spurs	18s 6d
Horse-keep, oats and litter, per horse, per day	0.5d
One chicken (raw)	1d
Two large candles	3d
Gascony wine, one quart	12d
Plain paper notebook	3s 4d
Supper in (reputable) lodging house	6d
New shirt	2s
Small but effective dagger	2s
Alms to beggar/offering in church	4d
Pair of gloves	4d
Pair of tables and dice	1s 4d
Hire of tumbler/dancing maiden	10s
Grand dinner for two	£3†
Henry VII's card-playing money	£5
Senior Burgundian ambassador's card-playing money	£3
Certificate of indulgence	6s 8d

*£1 in 1490=£453 in 2002; £1=20 shillings, 1 shilling=12d
†Or so claimed by one Venetian who may have been seeking an increased allowance

Sources: Ambassadorial dispatches, warrants for issues and Privy Purse expenses of Henry VII; Bank of England

Soncino's lodging probably cost around a shilling (12d) a night, with meals included. De Puebla rented a suite of rooms at the Austin Friars, but was also renowned for staying “in the house of a mason who keeps dishonest women” where a seat at the slopped-down common table cost 2d a day. To supplement these pie-and-beer meals, he tried to cadge food at court. Henry VII, enquiring once why the Spanish envoy had come round yet again, was told: “to eat”.

In fact, the court was the only place where the envoys could supplement their diets or their salaries. Royal rewards (very rare, unless an actual treaty had been concluded) came in the form of purses of gold, accepted with craven gratitude and then, back in the lodgings, carefully checked, tooth-tested and weighed. (“The king gave him 300 nobles, neither seen nor counted by him”.) Dining at court, as Soncino and Trevisano did fairly often, allowed them to sample the king's excellent French wines and to eat 60-course feasts, from “pottage-pig”

through “larks ingrayled” to “castles of jelly”. But gastronomy had its price. Soncino's Venetian friend complained that these meals lasted for hours, with much slower service than in Italy, and were sometimes consumed in total silence.

Royal receptions, which usually occurred when new ambassadors were presented, offered kudos but no sustenance for their hungry colleagues. No wine flowed, only guarded small-talk, as envoys tried to judge who was most in, or out, of the king's favour. The trick for the last half of the 1490s was to mingle freely without encountering, or being seen to be talking to, the French ambassador. (France was universally out of favour after a rash invasion of Italy.) At one reception, in 1497 in the palace of Westminster, Soncino had to warn Henry VII himself to be less loud in his remarks about the French, as the hated gentleman wandered into view.

Dear old England

Envoys' daily allowances at principal European courts, mid-1490s
pounds, shillings and pence sterling*

France	5s
Holy Roman Empire	6s 8d
Burgundy	£3 (senior), £1 (junior)
England	£10 (Cambrai); 16s (de Puebla, in principle)

*£1=20 shillings, 1 shilling=12d

Source: Ambassadorial dispatches, warrants for issues and Privy Purse expenses of Henry VII

Our man in Windsor

By hanging round the court, the envoys fulfilled their chief unstated mission: to spy. They did so only half-competently, since all they could understand at first was the Latin in which sanitised public statements were delivered, and in any language they were routinely lied to. Deprived of full understanding, the envoys fell back on interpreting body language: how often the king removed his hat to them, how wide he opened his eyes, whether he smiled, and how other people reacted to what he said. In their letters, Henry (one of the dourer English monarchs) comes over as almost frenetic, since every gesture meant something. Often, of course, his gestures were deliberately misleading too.

An audience with him was an awesome occasion. Soncino, admitted to “his wonderful presence” at Woodstock in 1497, was astonished to find him standing, leaning on a gilt chair. He wore purple robes trimmed with ermine and an extraordinary collar of rubies and pearls, “which seemed to me something most rich”. The envoy, after deep obeisance, uttered his prepared words; the king nodded and smiled. Neither Soncino nor Trevisano got any more out of Henry than this, nor would they have expected to. Kings seldom spoke; they left that task to underlings, such as archbishops.

De Puebla, by his own account at least, was an extraordinary exception to this rule. Henry constantly confided in him. He sent him breaking news, via gentlemen of the chamber, before anyone else had it, sought his advice, and drew him aside for private chats. De Puebla revelled in this access, even when, on one occasion, “he was furious, and every word that came out of his mouth was like vipers.” The Spanish ambassador portrayed himself as actively making policy, pushing Henry this way and that. His enemies countered that Henry was using him, turning him into an English agent. That seemed likelier and, unfortunately for him, Ferdinand and Isabella often took that view.

The Spanish sovereigns made horrendous employers. Soncino and Trevisano merely feared they had been forgotten in England; de Puebla knew he never was, for the fierce instructions and rebukes kept coming. (“You must write at least twice a month, and tell us everything that transpires.”“That is the biggest joke in the whole world.”“There was nothing in our letter that could have caused you to interpret it the way you did.”) Their motive for nagging was financial as well as political. They wished to keep their daughter's dowry down; Henry wanted to jack it up.

Everything was argued over. The Spanish sovereigns wanted Katharine's clothes and jewels counted in; Henry wanted them over and above. Both sides wished to fix, at different levels, the rate of exchange between the pound sterling and the Spanish *maravedi*. De Puebla incurred particular wrath because in 1497, when Henry faced two big rebellions, he took no advantage of the king's travails to force the dowry down. His sovereigns wondered aloud whether to replace him; but de Puebla, “devoutly kissing your royal hands and feet”, as his dispatches routinely began or ended, just about appeased them, and kept his job.

He did so despite enduring the worst humiliation for an ambassador: to be undercut by a charming fellow-countryman who became a favourite at court. Pedro de Ayala came to London from his Scottish posting in 1497 and, to de Puebla's horror, stayed, styling himself “Ambassador to England”. Their mutual loathing is comically preserved in the letters each sent back to Spain, begging

The English dislike foreigners, “and imagine they never come

for the other to be sacked for doing a rotten job. (“Though bidden to go to Flanders, Ayala has the impudence to stay in London. I beg you to send him the strictest orders to leave.”)

into their island, but to make themselves masters of it, and to usurp their goods”

For all envoys, keeping in touch with home was harder than doing the spying, or the lying, their employers constantly required. Reports could be fabricated, and many were. Rumour was as good as fact, and few could say which was which. When Trevisano was told in August 1497 that Henry (then confidently proceeding through Somerset) was about to flee the country, or when he misheard about the “extensive marshes” (in truth “marches”, ie, border areas) between England and Scotland, he never checked, but wrote it down. Soncino relied heavily on whatever he was told by Richmond Herald, a Frenchman who was close enough to Henry to be the king's voice. “I believe it all,” he wrote innocently, “because he is a wise man.”

Letters at sea

Getting the dispatches home was another matter. On average, letters reached Milan or Venice in about three weeks. De Puebla's to Spain sometimes took twice as long. Messengers got drunk, mislaid the papers, or fell ill on the road. Ships were blown off course, or sank. Vital letters sent to Henry by Ferdinand and Isabella seem to have drowned with the envoy who carried them—or so they claimed later, though in truth they had never been mustard-keen to send them. Other letters still carry salt-water stains. Fretting in Madrid or Tortosa, the Spanish sovereigns often thought de Puebla was not bothering to write. When he protested that he was, copiously, they barked at him some more. (“None of your last has arrived. Please always send duplicates.”) This problem, of course, cut both ways: rulers waiting weeks for news, while envoys waited weeks for their instructions. It is a wonder, under these conditions, that long-term diplomacy could be carried on at all.

Nor were these dispatches secure. Anyone could open and read them, as James IV of Scotland did in 1496, discovering that the new Spanish envoys to Scotland had been instructed to string him along in his delusions of marrying a Spanish *infanta*. The only protection was cipher. This, however, was a science in its infancy. Only the Spanish rulers made a stab at it for diplomatic letters, and it was not a success. The simplest form of their cipher was to replace certain words with Roman numerals, but the code kept changing and expanding, until MCCCCLXXXVIII meant “sea”, DCCCXXXIX meant “the” and DCCCCLXVIIII meant “in”. Few envoys got the hang of it. (“Impossible”, came back the cries from Madrid. “Nonsense.”“Cannot be understood.”“Order the ambassador to send another dispatch.”) One royal letter sarcastically thanks de Puebla for not only encoding his letter but for thoughtfully including the code-book.

After several years of brusque treatment by their employers, opacity from those they were sent to spy on and raw prejudice from the English in general, it is hardly surprising that all these envoys wanted to go home. Trevisano ended several of his letters with bald requests to return, “seeing that his stay in England is of no importance.” All complained that they were broke. Soncino said he had to come home to bury his father. Pedro de Ayala (who was actually having a good time) begged to be given the archdeaconry of Segovia. De Puebla, who had been offered both a bishopric and an honourable marriage in England, said his health would never stand it, and pleaded to come home. In the end, one by one, they were relieved.

Yet their jobs continued. A pair of permanent eyes and ears in another country was now proven indispensable. Once established, with communications steadily improving too, the job of an ambassador could only get easier. De Puebla, Soncino and Trevisano were brave pioneers—even if their field, strewn with facile chit-chat and ruthless lying, was not always one to write home about.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

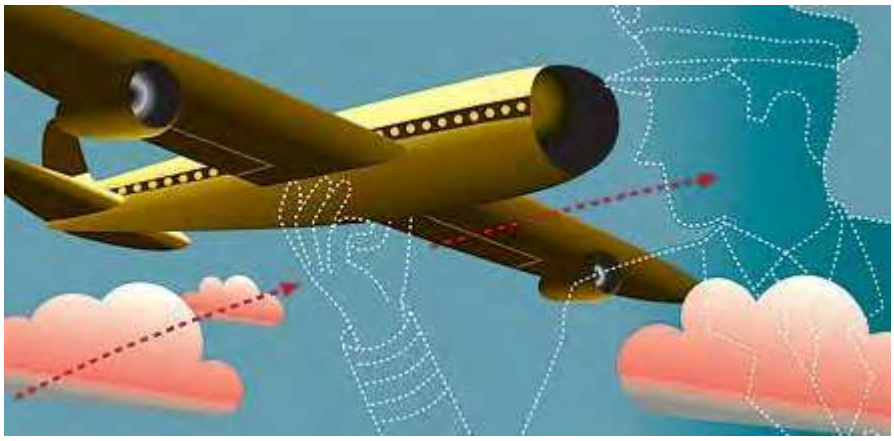
PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Pilotless planes

Help! There's nobody in the cockpit

Dec 19th 2002
From The Economist print edition



In the future, will airliners no longer need pilots?

IT IS a calm, slightly overcast evening at an air base in South Australia, and a curious-looking white plane has just touched down on the runway. This aircraft, a Northrop Grumman Global Hawk, has long, narrow wings, a double tail, and an elegantly sculpted fuselage. But it has no windows and no cockpit, because it has no pilot. It is, in the military jargon, an “unmanned aerial vehicle” (UAV). Nearly 24 hours after taking off from Edwards air force base in California, it has just completed the first pilotless flight across the Pacific Ocean.

What is even more remarkable is that the Global Hawk made this journey without any human intervention. “We made a historic flight with two clicks of the mouse,” says Bob Mitchell of Northrop Grumman, an aviation company, who was responsible for the aircraft's development. One mouse-click from its ground controller told it to take off; another click, after landing, told it to shut down its engine. In between, the aircraft's on-board computers handled the taxi, take-off, flight (on a pre-programmed course) and landing entirely automatically.

The Global Hawk is used for military reconnaissance, and the aircraft that flew to Australia, in April 2001, did so to take part in military exercises. Global Hawks were deployed in a combat zone for the first time in Afghanistan later that year. For reconnaissance, UAVs have many advantages over piloted planes. They can fly higher and stay aloft for longer, unconstrained by the endurance limits of a human pilot, and there is no loss of life or limb if they are shot down. But might the same technology, like the jet engine, radar, and so many other inventions initially developed for military use, also have civilian applications? Global Hawk's achievement poses a provocative question: will the airliners of the future no longer need pilots?

Prepare for take-off

Only if three conditions can be met. First, a wholly automatic pilotless airliner would have to be built and shown to be safe. Second, airlines would need a good reason to use such aircraft instead of piloted ones. And third, and most important, passengers would have to be willing to fly in them.

The first of these conditions can probably be met, if not immediately, then within a decade or so. Modern airliners are already automated to an extraordinary degree. “When auto-pilots can do something better than a human pilot, we use auto-pilots,” says Ken Higgins, vice-president of flight operations at Boeing,

the world's largest aircraft maker.

In practice, that involves using auto-pilots in two situations: to relieve the workload on the crew during the long and tedious portions of a flight (auto-pilots never get bored), and to make landings when visibility is poor, typically in bad weather. This requires special equipment on the ground, and most airports have only one runway equipped for automatic landings. But it is now routine for large planes to land themselves when necessary. Indeed, on some flights, the auto-pilot may be engaged immediately after take-off, while the plane is still climbing, and then remain switched on throughout the flight and during the landing.

Automatic landings in poor visibility are safer than manual landings, and modern auto-pilots can even land a twin-engined plane on a single engine. “Most people are blissfully unaware that when an aircraft lands in mist or fog, it is a computer that is landing it,” says Paul Jackson, editor of “Jane's All the World's Aircraft”.

The one aspect of commercial flight that has not yet been automated is take-off. It would be possible, says Mr Higgins, but it would require additional guidance equipment both on the plane and on the runway. And it would require a good reason to develop and install this technology, which would be expensive. Take-off is, from the pilot's point of view, potentially more complicated than landing, because there is more to go wrong. In particular, an engine failure during take-off requires the pilot to make a split-second decision: is the plane going fast enough to get off the ground, or should the take-off be aborted?

Aircraft systems are designed to a safety standard that allows only one failure in a billion flights. To devise a take-off auto-pilot that could meet this safety standard would be technically feasible, but extremely costly, says Mr Higgins. To provide an extra safety margin, for example, it might be necessary to equip the aircraft with additional back-up systems. Whenever a new aspect of flying an aircraft is automated, in other words, it is necessary to balance the benefits with the costs. So far, it does not make sense to automate take-offs. But it could be done.

Aircraft do more than just take off, climb, cruise, descend and land, however. They must also deal with air-traffic controllers, steer clear of bad weather and avoid other aircraft, both on the ground and in the air. Could these aspects of flight also be automated?

The Global Hawk deals with air-traffic controllers in a way that is simultaneously old-fashioned and high-tech. A radio on board the aircraft links it to the nearest control tower, and a separate satellite link relays speech to and from the aircraft's operators on the ground, who thus appear to be inside the plane, even though they may be on the other side of the world. If air-traffic control asks the plane to ascend, descend, or take action to avoid bad weather, the operators can instruct it to do so with a few more clicks of the mouse. Similarly, the Global Hawk can be remotely controlled while on the ground, to make it taxi on and off runways and in and out of hangars.

Could the same approach be used with large commercial aircraft? Global Hawk is a special case in many ways. Unmanned military aircraft operate under different conditions from civilian planes, says Mr Mitchell: the air space over a war zone tends to be quite empty, rather than full of commercial jets. Global Hawk flies at high altitude, around 65,000 feet (20,000 metres), so it does not interfere with commercial aviation. While a busy military base is not that different from a large airport, co-ordinating the movements of dozens of remotely controlled aircraft, as opposed to just one, would also be a daunting task.

As a result, more widespread use of unpiloted planes would require a complete overhaul of air-traffic-control procedures, both in the air and on the ground. But this is not as far-fetched as it seems. Proponents of “free flight” have long argued that the centralised, micro-managed system of air-traffic control should be abandoned, and individual aircraft given more autonomy, both in choosing their routes and avoiding other aircraft. Flying would, in short, more closely resemble navigation at sea. This would involve a large dose of technology, in the form of navigation and collision-avoidance systems. But it would open up the skies to far more traffic than can be handled by the current system—and it would allow piloted and unpiloted planes to co-exist more easily.

Passengers could be routinely travelling in pilotless planes by 2030. The big challenge is not the technology but convincing the public to get on board

Airport procedures would also have to be dramatically revised to accommodate unpiloted planes. Someone would still need to carry out pre-flight checks and

other duties. Taxi-ing out to the runway, queuing up with other planes, and taxi-ing to the gate on arrival would have to be handled either under remote control, or automatically by the aircraft's systems. Again, all this would be possible, and might get easier with the advent of new technology. But why go to all the trouble?

The bottom line

In a word, money. Airlines' single largest cost is staff wages, which consume half of a typical airline's annual revenue—far more than fuel, aircraft leasing or servicing costs. Pilots are the most costly airline workers to employ. At a typical airline, industry insiders say, 97 of the 100 most highly paid employees will be pilots.

Pilots are well rewarded, and with good reason: people trust them with their lives. Captains on long-haul flights are the most highly paid. According to Aviation Information Resources, a pilot-recruitment firm, the most senior captains earn an average of $178,000 a year. Some airlines pay far more: the most generous is Delta, which pays its top pilots $248,000.

There are other costs too, including per-diem and overnight expenses. Pilots expect to stay in fancy hotels when stopping overnight between flights. And why not? Before they take hundreds of lives in their hands, pilots ought to have had a good night's sleep. Safety considerations, which preclude pilots working too many consecutive hours, impose other costs. Airlines maintain elaborate rostering systems to ensure that there are enough pilots ready for duty, since each one can only work a few days a week. When a flight is delayed, the pilot may find that proceeding with the flight will require him to work more than the permitted number of hours; so a new pilot must be found, or the flight cancelled.

Automating flights completely would, of course, do away with these costs. Auto-pilots are amenable types: they never get tired, demand pay rises, go on strike, or drink too much. It would require lots of expensive new systems, but if it could be made to work, the cost savings would be enormous: billions of dollars a year for a large airline. Even partial automation, perhaps involving shifts of pilots looking after several semi-autonomous aircraft at once via remote control, would save money. Again, Global Hawk points the way: a single operator can control two or more aircraft from the same command console on the ground. And research by Boeing, which is building an unmanned fighter aircraft for the American air force, suggests that operators could efficiently control up to four aircraft at a time.

None of this is likely to happen any time soon, of course. But the technological trend is clear. Craig Mundie, chief technical officer at Microsoft, the world's largest software firm, estimates that passengers will routinely travel in pilotless planes by 2030, a claim he has backed up with a public bet to that effect (see www.longbets.org/bet/4). For his part, Mr Mitchell believes it is unlikely to be before 2050, but that it will happen eventually.

In the meantime, there may be nearer-term opportunities for unpiloted planes. Northrop Grumman is examining commercial uses for unpiloted aircraft including surveillance, communications—a drone aircraft flying over a city could act as a low-altitude communications satellite—and even crop-dusting. In November 2001, Boeing set up a dedicated unmanned-systems unit, which will initially concentrate on military aircraft, but with the aim of transferring the technology into civil and commercial aviation.

Assuming they can prove themselves in small commercial applications, the next big step would be to use unmanned aircraft for freight. Federal Express has discussed this possibility with Mr Mitchell. If unpiloted freighters then became commonplace, the way would be clear to consider passenger flights. And at that point, advocates of unpiloted planes would face their greatest challenge: convincing the public to get on board.

That could be a tall order. For while it would be possible to make a case for pilotless planes on safety grounds, this would mean pointing out some of the hazards associated with piloted flights. No aircraft maker or airline is going to do that.

Yet more than half of air-travel deaths are the result of “controlled flight into terrain” (CFIT), which is industry-speak for “the plane was working perfectly, but the pilot flew it into the ground”. CFIT accidents cause the most casualties because few passengers survive them. People are far more likely to survive if a plane overshoots a runway, or its landing-gear collapses, than if it flies into a mountain. Of the 18 fatal air accidents in the first half of 2002, nine are thought to have been due to CFIT, resulting in 397 deaths.

Other forms of pilot error can also be fatal. On July 1st 2002, two planes collided over Germany, killing 71 people. The airborne collision-avoidance system worked perfectly, but human error, both in the air and on the ground, meant the collision happened anyway. It would be foolish to suggest that unpiloted planes would never crash or go wrong. But a few years of data from unpiloted freight flights would make meaningful comparisons possible, and might favour more automation.

Another problem with advocating unpiloted aircraft as a means of reducing pilot error, however, is that it would mean drawing attention to the realities of air safety—a subject the industry seems keen to avoid, with the tacit approval of passengers. No large airliner has ever made an emergency landing on water, for example. The engines, which hang in “pods” beneath the wings, make such a landing almost impossible, notes Mr Jackson. So the life jackets, with their little whistles and lights that come on when in contact with water, have little purpose other than to make passengers feel better. Yet airlines and passengers seem happy to pretend that there is some point in having them.

Similarly, there is abundant evidence that rear-facing seats are safer than forward-facing ones in the event of an emergency landing. But any airline that made all its seats rear-facing would probably go out of business, because most people prefer facing forwards. Only soldiers, who have no choice, routinely travel in aircraft with rear-facing seats. The rest of us, it seems, put comfort above safety, or would rather not be constantly reminded of the possibility of an emergency landing.

Come fly with me

Promoting pilotless planes on the basis of safety is a non-starter, then. But there might be other approaches. One is pricing. Many people who said they would never fly again after the September 11th attacks changed their minds when the airlines slashed their prices. Another approach would be to phase in unpiloted planes gradually. At first, automatic flights could be made with a single pilot on board, until the idea had become generally accepted.

This gradual approach has worked well in promoting the use of twin-engined aircraft on long routes, another technical innovation that was once regarded as unthinkable. Long-haul flights used to be done with four-engined planes; if one engine failed, the aircraft lost only 25% of its propulsion. Today, says Chet Ekstrand of Boeing, most people do not even notice how many engines their aircraft has. The choice of airline and aircraft, he says, “is overwhelmingly about comfort, price and schedule convenience.”

Originally, says Mr Ekstrand, it was the airlines which came up with the idea of long-range twin-engine aircraft. The manufacturers and airlines then worked together to promote the idea to regulators, pilots' associations, and passenger groups. Initially, twin-engined aircraft on long routes had to ensure they were never more than 60 minutes away from an airport in the event of an engine failure. Once the reliability of twin-engined aircraft was established, the time limit was increased to 180 and, recently, to 207 minutes.

Passengers are also more likely to accept pilotless planes once other forms of transport have been automated, suggests David Stempler, president of the Air Travellers Association, an American organisation which represents passengers' interests. People are quite happy to travel in automatic lifts; and while rail travellers say they prefer to have a driver on board, the few examples of driverless trains that do exist do not seem to have any fewer passengers. As long as there is someone standing ready to take over in the event of a problem, says Mr Stempler, he sees “no extraordinary impediment” to passengers eventually accepting pilotless planes.

Indeed, the standby pilot need not even be on the aircraft. After September 11th, a number of industry observers suggested that it ought to be possible to take control of aircraft from the ground, to deter hijackers. So, says Mr Stempler, the notion of remote control is “starting to percolate”. Passengers might

be happy to accept it as an anti-terrorism measure initially, and then get used to the idea. It would take only one incident to change attitudes to remote control dramatically, one way or the other.

In other words, it is still far too early to tell how passengers would react to the idea of fully automated flights. The technology and the economics seem to make sense. But ultimately, it will be up to passengers to decide whether pilotless airliners will ever get off the ground.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

The paperless office

In praise of clutter

Dec 19th 2002
From The Economist print edition

Leave my desk alone. It works

ON THE six square feet next to the computer on which this article is being written, a complex ecology has developed. There are approximately (it is impossible to be precise without disturbing the natural order) 100 assorted print-outs (e-mails, web pages, newspaper articles), 12 books, ten academic articles, six pamphlets, five notebooks, three newspapers, two magazines, two faxes, two telephone books, one file containing further faxes and print-outs, six pens, one box of matches, one key (origin unknown) and one handheld organiser. Some of this is being used in the writing of this article. Some of it will be used in the writing of future articles. Some of it will never be used at all, but will eventually, when the reason why this correspondent originally thought it so interesting has faded, be thrown in the bin.

This desk is not unusual in *The Economist*'s editorial offices—just one particular sort of habitat in a rich and varied landscape. The deputy editor's office, for example, contains roughly 700 books (he just got rid of another 400). The defence correspondent has a charming mural patchwork of telephone numbers, e-mail print-outs, press releases and religious iconography. The economics correspondent's in-tray is two-and-a-half feet (76 centimetres) high—in two piles, for stability.

The inhabitants of these offices seem perfectly happy in their surroundings, and are mostly left alone to adapt the environment to their convenience. The editorial floors of *The Economist*'s offices are treated somewhat like a nature reserve, where strange beasts roam and browse at will, undisturbed by the fads and fancies that sweep through the rest of business life. Others are not so lucky.

Clutterphobia

Many companies these days—United Parcel Service and General Motors in America, for instance, and Asda, a supermarket chain in Britain—run “clean desk” policies, requiring employees to remove all evidence of work from their desks by the end of the day. The reason given is usually security—that burglars will be less likely to find anything interesting if it is put away—but that is a poor excuse. Any self-respecting burglar can pick the lock of a filing cabinet, and will be far more likely to find what he is looking for in a methodical office than in one whose logic is comprehensible only to its creator.

The real reason is more likely to be the common hostility to “clutter”, which managers tend to regard as an obstacle, rather than an aid, to work. Although office clutter is usually almost entirely work-related, it

tends nevertheless to be treated as though it consisted of the dirty socks and crisp packets of an adolescent. Workers are confused. They know that creating clutter is an essential part of the way they work, but they are made to feel guilty about it.

There are plenty of parasites who make a living out of this confusion. Jeffrey Mayer, for instance, exhorts people to “Get rid of the clutter! Save time! Become more productive!” in his book “Winning the Fight Between You and Your Desk”. The book is endorsed by Barry Greenberg, president of Chemex Industries: no doubt the Chrome Finish Autoflush Valve for Urinals and Toilets, advertised as his most exciting new product on his website, has benefited from the insights in this *oeuvre*. Donald Wetmore of the Productivity Institute, a company that purports to help people become more productive, cites the “messy desk” as one of the “Top Five Management Mistakes” and maintains that “studies [which studies? Citations, please] have shown that the person who works with a messy desk spends on average one-and-a-half hours a day looking for things or being distracted by things.”

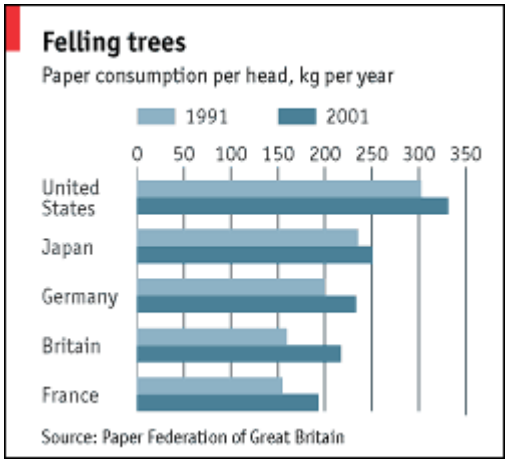
During the 1990s, technological change lent authority to the familiar prejudice against clutter. Clutter, after all, was paper, and paper was old-fashioned. Paper has no memory; paper cannot be networked. As digital devices began to talk to each other, as computers of different sizes and shapes with different purposes proliferated, the persistent popularity of a means of communication that had been around for 6,000 years became increasingly irritating to the guardians of the *Zeitgeist*.

Some of the digital age's finest thinkers set about burying paper. Paul Saffo, director of the Institute for the Future in Menlo Park, California, explained in “The Electronic Pinata: A Paperless Future is Waiting in the Wings” in 1992, that “paper is well on its way to becoming a metaphor”, in the sense that the screen and stylus of a handheld organiser mimic notebook and pencil, “rather than a medium”. “Digital paper and sushi computers [ones you can roll up]”, he wrote, “will become business realities after this decade is over.”

The tyranny of the tidy

It is fortunate for contemporary prophets that most of their predictions are as swiftly forgotten as made, for paper, while it may be used in a metaphorical sense by the electronics industry, has also remained stubbornly literal. The more digital information sped around the world, the more people wanted to print it out. From 1992 to 2002, world consumption of paper and board products grew from 250m tonnes to 325m.

Insecurity, said the visionaries: children clutching on to familiar objects as the world accelerates past them. As the value of tech stocks rose, bosses became increasingly determined to prove that they “got it”. One way of demonstrating that they were truly wired was to espouse the paperless vision.



A few of them tried to impose the vision on their employees. The most dramatic of these experiments took place at the offices of Chiat/Day, an American advertising agency. In 1993, Jay Chiat, the boss, had a revelation while on the ski slopes, and realised that his employees' minds were trapped by the boxes they were working in. Free their bodies from the box and you would free their minds. They were, accordingly, installed in offices without desks or filing cabinets. There were sofas to sit on and a few special rooms for meetings. There was nowhere to keep any paper; indeed, nobody was supposed to keep paper.

Chiat/Day's employees behaved like any group of refugees torn from familiar surroundings. They tried to rebuild their world. One woman bought a child's red wagon, put her paper files in it and trailed it around the corridors after her. Most people recreated their desks in the boots of their cars, where they stored

their files and notebooks, dashing in and out of the building to the parking lot during meetings. Groups of workers took permanent control of meeting rooms and a shanty-town of desks grew up. The company was eventually bought by a traditionalist rival and normal life resumed.

The public sector got the bug too, though rather later. Panting along behind the curve, the British government committed £200m (then $290m) in 2001 to developing a paperless school. Baroness Ashton of Upholland, launching the scheme, waved a paper and pencil around, predicting their eventual demise .

The revenge of the trees

In most quarters, however, the fate of the tech stocks has taken the shine off those futuristic visions. The world is kinder to the past, these days, and to tools that have proved their value over millennia. A sign of the times is the publication of an excellent book* by Richard Harper and Abigail Sellen which details the many virtues of paper and the many workplaces in which it remains surprisingly important.

Air-traffic control, for example, does not, at first glance, seem a likely candidate. The business of monitoring incoming aircraft and predicting their future course, which depends on measurement and mathematics, sounds as though it should be entirely electronic. Yet paper remains an essential part of the air-traffic control system in Britain.

People spread paper over their desks not because they are too lazy to file it, but because it is a physical representation of what is going on in their heads

Each air-traffic controller works in a team of about five staff. Information about each incoming plane in that controller's sector is printed out on a piece of paper—a flight progress strip, about eight inches long and an inch deep. As the plane moves across the controller's sector, the strip is annotated—with, for instance, speed or altitude changes. On the basis of those annotations, different team members can do their job—working out, for instance, the implications of those changes for the next sector. In a busy sector, one team may have 50 strips on display.

Many attempts have been made to get rid of the flight progress strips. The only way of doing away with them, it turns out, is to give air-traffic controllers smaller areas to cover. For larger areas—which means a more complex job—the paper strips are essential. “They are a jolly efficient means of annotating information,” says Richard Wright of Britain's National Air Traffic Services. “The controllers can read them at a glance. If we replace them it will have to be with something better. They will be with us for some time yet.”

Paper's importance to the air-traffic controllers illustrates some of the reasons why it survives. It can be annotated more easily than text on a screen can; those marks can be seen more easily by several people than can digits on a screen; and it can be moved around, thus conveying more information.

It is less surprising, perhaps, that the International Monetary Fund, which Mr Harper and Ms Sellen also spent some time studying, should still use a certain amount of paper. But, given how technology-rich the Fund is—it had spent over $70m on IT in five years at the time of their study, and was spending $18,000 per head per year—its reliance on paper is somewhat unexpected. The 25 workers (16 economists, seven administrative workers and two research assistants) whom Mr Harper and Ms Sellen studied spent 97% of their time working on documents of some sort; of that, 86% of the time was spent working on paper. They liked paper because they could spread it around; because they could annotate colleagues' work without interfering with the text, as they would if they annotated electronically; and because paper interfered less with communication during a meeting than screens would.

In order to observe the differential impact of paper and computers on how people work, Mr Harper and Ms Sellen set up an experiment with ten people, five of them using paper and pens, five of them using screens only. Their task was to summarise a number of reports.

The people working with paper spread out all the reports on a desk, flicked through them, annotated them, moving easily from one to the other. The people working on computers struggled to do something similar, creating a number of windows on their screen. They found navigation—scrolling, clicking and dragging—slow and cumbersome, and several of them got quite cross. One started shouting at his computer.

A beautiful mind

But why do people need to spread papers around on their desks? Why don't they just read their paperwork and file it? Alison Kidd, a psychologist, investigated this question while working for Hewlett-Packard Laboratories. Ms Kidd, whose new firm, The Prospectory, helps companies to use technology to develop new ideas, interviewed 12 workers about how they used information, paper and computers.

Her paper, “The Marks are on the Knowledge Worker”, draws a distinction between “knowledge workers” and other categories, such as clerical workers. Clerical workers use information—about, say, customer orders—to aid the smooth working of the company. Knowledge workers use information to change themselves. So, for instance, knowledge workers take notes not in order to store information, but because the process of note-taking helps them to learn. Once taken, notes are rarely reviewed. According to a study of research workers reported in “The Technology of Team Navigation”, a paper by Edwin Hutchins, a psychologist, while 64% kept their notes for years, 44% hardly ever referred to them.

The relationship between workers and their clutter is similar. People spread stuff over their desks not because they are too lazy to file it, but because the paper serves as a physical representation of what is going on in their heads—“a temporary holding pattern for ideas and inputs which they cannot yet categorise or even decide how they might use”, as Ms Kidd puts it. The clutter cannot be filed because it has not been categorised. By the time the worker's ideas have taken form, and the clutter could be categorised, it has served its purpose and can therefore be binned. Filing it is a waste of time.

Why people need a physical map of what is going on in their heads is not clear. Ms Kidd suggests that the brain may just need some help. She speaks of her father, who suffers from frontal-lobe dementia, which affects the ability to interpret what is going on around one. As his brain has deteriorated, “he uses the physical correlate more than ever”, to the point at which his surroundings have become chaotic. So perhaps, as the tidy have always suspected, they are just smarter: they can do more stuff in their heads without outside help than the untidy can.

Filers versus pilers

Work by Steve Whittaker and Julia Hirschberg of ATT Labs-Research, however, suggests that clutter may actually be quite an efficient organising principle. In “The Character, Value and Management of Personal Paper Archives”, they examine the distinction that MIT's Tom Malone draws between “filers” and “pilers”. When filers receive paperwork, they put it away. When pilers get it, they leave it on the desk—not randomly, but in concentric circles. There is a “hot” area, of stuff that the worker is dealing with right now. There is a “warm” area, of stuff that needs to be got through in the next few days: it may be there, in part, as a prompt. And there is a “cold” area, at the edges of the desk, of stuff which could just as well be in an archive (or, often, the bin).

According to Mr Whittaker and Ms Hirschberg, the assumption that filers can find stuff more quickly is wrong. Filers, they say, “are less likely to access a given piece of data, and more likely to acquire extraneous data...In moderation, piling has the benefits of providing somewhat ready access to materials as well as reminding about tasks currently in progress.” Filers have two problems finding stuff: they tend to file too much, because they have put so much effort into building a filing system, and they often find it hard to remember how they categorised things.

As well as giving much-needed succour to those attached to the ecology of their desktops, these studies have some serious implications for managers. If they interfere with people's desktops, they may also interfere with their thinking. Trying to force workers to get rid of clutter and scan their papers into a computer system may be an expensive waste of time. Companies which do this may find that they create large, useless databases full of information that nobody ever uses.

By trying to computerise everything, managers may undermine the process they should be trying to support. There is a good example of this in the book by Mr Harper and Ms Sellen. A British telecoms-equipment manufacturer decided to computerise its salesmen's paperwork so that, rather than lugging files all over the country, they could plug into a database, and so that people back at base could also have access to this information.

The technical side of the project went well. However, the information that salesmen put into the database

was vague to the point of uselessness. The problem was that the nature of the salesmen's files had been misunderstood. Managers had thought that salesmen relied on detailed notes about the nature of the customer's organisation and its likely requirements. Actually, the important information was about people in the client companies—their hobbies and interests, their personal characteristics, and about who to avoid dealing with. It wasn't stuff that the salesmen wanted to put on a database.

Britain's policemen had a similar experience. Chivvied by the Home Office to become more efficient (which is always assumed to mean more electronic), police forces issued constables with laptop computers to carry around with them, for instance, to take statements from witnesses to crimes. They found that the quality of the statements deteriorated. Writing into a computer, they discovered, gets in the way of talking to somebody. That is why you will never be interviewed by a journalist typing his notes into a computer. They want to look you in the eye.

Automation can achieve so much in so many areas of work that managers are tempted to think they can automate everything. But the most important aspects of work are the hardest to automate. “Businesses”, says Mr Harper, whose company, Appliance Studio, helps companies to design computer-based tools to work with, rather than against, workers, “must take care not to throw the baby out with the bathwater.” Computers are fine, in their place; but their proper place is at the edge of a healthy distribution of clutter.

---

*“The Myth of the Paperless Office”, (Amazon.co.uk). By Abigail Sellen and Richard Harper. MIT; 242 pages; $24.95.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Economist.com OPINION
PRINTABLE PAGE VIEW SPONSORED BY
About sponsorship

Car designers

Putting on the style

Dec 19th 2002
From The Economist print edition

Forget engineers, designers are the rock stars of the car industry

NEXT month, a group of Armani-clad men will quietly slip away from the brash, garish halls of the Detroit Motor Show one evening. Stepping into their gleaming limousines, they will drive to a discreet location, probably a converted warehouse down by the old docks on the Detroit River. The edgy, minimalist interior and zenon spotlights will blend perfectly with the Sonoma Valley chardonnay and the sparkling mineral water.

While the crowned heads of the world's car industry toast each other uptown at black-tie banquets, the international corps of car designers will enjoy its own tasteful get-together, a feature of every pit-stop on the international motor show circuit of Detroit, Geneva, Paris, Frankfurt and Tokyo. Last September, they gathered at a wine cellar in the south of Paris; next March it will be a chateau overlooking Lake Geneva or one of those trendy low-beamed restaurants near the cathedral in Geneva's *vieille ville*.

Whatever the location, the *confrérie*'s cast is unchanging and the garb is the same. There won't be a single collar-and-tie in a sea of charcoal roll-neck sweaters. Conservative chic rules, as they swap professional compliments on each other's “concept cars”, which are pre-production prototypes, unveiled at the shows to gauge critical and public reaction. Last year there was some bitching about how BMW had “lost it” with the curvier lines of its new 7-series executive, departing from the brand's house style. The bitchers were wrong; the new model is better.

These men (and, these days, even a few women) are not only to be seen around car shows. Patrick Le Quement, head designer at Renault, France's second-biggest car-maker, says that ten years ago he would be the only car designer attending the Milan fashion show. Now, not only does he send a whole team, but so do other car companies. Car designers are also in evidence at architectural shows such as the Venice Biennale, or the graphics exhibitions of Warsaw and Krakow in Poland. They are out to see what shapes and forms other designers are trying out, and to pick up colours and ideas of their own.

Welcome to the world of the celebrity car designer, a breed increasingly responsible for the fortunes of the world's big car companies. We live in a designer world, and the car designers are at its heart, since they work with the most expensive consumer goods that most people ever buy. These ones, though, stand a little apart from other industrial designers, since, inside their cool attire, they are all petrol-head car nuts.

The tribe of the car designer recruits its new members from the Royal College of Art in London (cradle of Damien Hirst's conceptual art), from the Pasadena College of Design in Los Angeles, from the College for Creative Studies (CCS), if that is not an oxymoron, in Detroit—and from other car-design schools in Stuttgart and Paris.

Strangely, there is no car-design college in Turin, the home of stylish Italy's car makers, even though it is the base of world-famous design houses such as Pininfarina, Bertone, Giugiaro and Ghia (now part of Ford), which work for the world's big car companies. Maybe Italy does not need one. The Turin designers are the inheritors of the craft school of 19th-century coach-builders. They still turn out special versions of mainstream cars, notably coupés, for the big manufacturers. And northern Italy is a world-class centre for all sorts of other design, from fashion to furniture. Perhaps the country that produced not just Alfa Romeos but Bugattis, Lamborghinis, Maseratis, Ferraris and Lancias, (not to forget cool little Fiat Seicentos or Puntos), just has car design in its blood.

Nor is there a car-design school in the home of the world's strongest motor industry—Japan. There, however, it shows: Japanese cars have many qualities to commend them, but original design has not been one. Japanese car makers are, however, beefing up their design centres in places such as Los Angeles and London.

London is the latest cool place on the circuit. Long gone are the days in the mid-1970s when one young British car designer called Trevor Ford felt obliged to move to Turin, learn fluent Italian and re-name himself Trevor Fiorino to get taken seriously. Ford Motor, the world's second-biggest car company, recently opened a studio in Soho, surrounded by video-production houses, strip joints and gay bars. Nissan's chief designer, Shiro Nakamura, is about to open a design centre in up-and-coming Paddington. He says he chose London for its strong design culture, visible in both architecture and fashion, and picked smart new premises in the centre “because the suburbs are not attractive to the young designers I want to hire”. The suburbs, however, are good enough for Nissan's engineers: they are based in Cranfield, north of London. Point taken.

Designers make, or break

Today, these designers are the individuals with the ability to make or break car companies. Car makers all have access to more or less the same technology and engineering skills, so the spotlight is on the designers. Take Peter Horbury of Ford's Premier Automotive Group, which makes Aston Martins, Jaguars, Volvos and Land Rovers. As a youngster in the north-east of England he hung out with his contemporary heroes, Eric Burdon and the Animals, a British rock band. But he went to art school and, instead of becoming a rock star, became the car designer who turned Volvos from fridges-on-wheels into slick machines. Now, he is in charge of design at the four prestige car marques that are Ford's best hope of staying on the road.

He and his like move around the industry, their pay and their reputations boosted by their latest hits. They are the rock stars of the car industry. Younger ones, such as Roberto Giolito, who designed Fiat's daringly different (ugly, but functional) Multipla people carrier, or Gerry McGovern, who made his name with the bestselling Land Rover Freelander, even have the curly tresses of yesterday's pop singers or 1970s footballers.

Mr McGovern, a baby-faced Briton, now looks out over the Pacific from his studio at Ford's Lincoln design centre, based in Irvine, California. Ford moved Lincoln's designers there precisely to break the mould of stodgy old Lincoln designs from Detroit. Californians would not be seen dead in anything designed in Detroit, so the only answer was to move west and try to catch the breeze. Lincoln's new concept vehicle, on show at the Detroit Show next month, is a bid to launch a new breed of American luxury saloon, and reverse the steady advance of European versions such as the big Mercedes, BMWs and Jaguars. The apotheosis of the designer as star is at Renault, where one of Mr Le Quement's team, Stephane Schwarz, a small, stylish Swiss man with a come-hither French accent, appears in a television commercial, clad in a judo outfit, to advertise Renault's sexy new Avantime coupé.

Renault

The Renault Avantime

Older designers like Walter da Silva are also sought after to work their magic on tired brands. Mr Da Silva shot to fame in the mid-1990s with the Alfa Romeo GTV coupé and 156 saloon, which put Fiat's sporty Alfa brand back on the map. No sooner had Bernd Pischetsrieder become boss of Volkswagen's Spanish SEAT subsidiary, a few years ago, than he lured Mr da Silva there. His task was to turn its boxy cars into a sort of Spanish Alfa look that emphasised their Latin origin rather than their Germanic ownership. These days, Mr da Silva is in southern Germany, trying to improve the rather staid look of VW's Audi range; the improved, crisper lines of the latest version of Audi's A8 top-of-the-range model reflect his input.

Similarly, one of the first things Carlos Ghosn did when he was parachuted in from Renault to rescue Nissan in 1999 was to hire Mr Nakamura, a Japanese designer who had worked in America and Europe. His mission was to kill off Nissan's reputation for making dull but reliable cars, and to inject some design that could appeal to buyers. The culmination will be the unveiling in 2003 of the new breed of Z-cars, a deliberate echo of Nissan's old Z sport-coupés of the 1970s, the only Japanese car to have become a modern classic in America and Europe.

This fixation with design is not entirely new, but it has intensified in recent years. In the 1980s, all modern cars were beginning to look the same. Constrained by the same safety regulations to strengthen bodies, and by the same search for streamlining to improve fuel economy, European producers started to turn out similar three-box (engine, cabin, boot) saloons or hatchbacks, known dismissively as Euroboxes. In America, Detroit turned to hunky off-road pick-up and “sport utility vehicles”, or slab-sided minivans. Both are the antithesis of style to anyone not born in Texas. With saloon cars, the ubiquitous sideways-mounted, front-wheel-drive engine and transmission system (best for economy and space in most models since it was first invented, in modern version, in the Mini of 1959) added to uniformity.

Those days are now past. In a crowded market, car bosses ache to have models that stand out. “Design is the differentiator”, says David Thursfield, boss of Ford's international operations. Renault's Mr Le Quement traces the revival of car design in Europe to the onslaught of the Japanese. In a 1984 book on the future of the car, Daniel Jones and James Womack, two business academics, argued that the European motor industry's best hope of survival was to concentrate on European designs and local consumer needs. This ran counter to then-fashionable talk of “world cars”, designed to be all things to all continents. “I was at Volkswagen at the time,” recalls Mr Le Quement. “We were trying to design cars that would not displease people.”

Car makers went from boxes to curvy, elongated jelly babies. A Ford executive described one of his models as having “all the style of a suppository”

Shortly after that, as Mr Le Quement observes, the Germans took note and started making cars that actually looked as though they were German. Fiat similarly returned to its policy of making cars that looked first and foremost Italian. Embracing design, however, has not always been a success. A decade later, car designers started to be influenced by an Italian-sounding German industrial designer called Luigi Colani. He was famous for “biodesign”, which took the traditional 1930s Bauhaus (“form follows function”) concept, and added flowing “organic” shapes to cameras and computers. Unfortunately, the result was often amorphous, especially when taken up by the Japanese and Americans. From boxes, car makers went to curvy, elongated jelly babies. One Ford executive privately described its Taurus model of the mid-1990s as having “all the style of a suppository”.

Retro passé?

Now that car designers have established themselves, their designs are beginning to mimic the quirks, self-referentiality and humour of the fashion world. One recent trend has been for retro models. Professional car design, after all, has a long pedigree. It started with General Motors back in 1927, and the “art and colour” department under Harley Earle. He was the man who first used life-sized clay models of new designs. Wayne Cherry, GM's current head of design, points out that car companies still use “clays” to show off rival designs for top management to choose. He accepts, however, that three-dimensional digital computer modelling has changed the design process a lot in the past ten years. Digital images are useful for pooling information around the world, and for working on detail design for parts of the car, such as headlamps or hatch-back doors.

There is a now a strong current of retro fashion in car design. J Mays, Ford's head designer, made his name at VW with the retro new Beetle, which has been a hit in America. There, it tapped into a wave of nostalgia among middle-aged Americans who remembered it as the car their parents bought them as a graduation present. In Europe, it has done less well, because the same generation remembers it as an under-sized family car, which was the only reliable transport they could afford when their children were young. So worried was VW about this transatlantic split about retro that it hesitated for a year before proceeding recently with its modern version of that 1960s icon, the VW Kombi: the minivan that embodies the whole spirit of 1960s, “Surfin'USA” and the Beach Boys. Mr Mays is a bit of a retro specialist, given that he also worked on the Thunderbird and the new Mustang (based on a famous model from the mid-1960s), and is currently developing a modern version of Ford's legendary GT-40 sports car.

Ford's new Jaguar XJ, like its S type of a few years ago, also harks back to venerable older models, with little design cues here and there evoking the glorious past of the original models. Mr Mays sees a difference between its “classic” lines and a saloon like the Rover 75 (designed when BMW owned Rover), which he thinks looks like an over-the-top German stab at re-creating a traditional, solidly British, Rover. The danger of retro is kitschy, Disney-style reproductions, like neo-Georgian houses or mock-Tudor mansions.

Gallic flair

American enthusiasm for retro cars could reflect a relative lack of imagination in contemporary car design there. Mr Mays, who is American, thinks his country is just not big on car design. Indeed, he thinks that there is little aesthetic sense of design in America at all, certainly not in the space between New York and Los Angeles (which includes, of course, Detroit). In the United States, reckons Mr Mays, three-quarters of cars sell on their functional qualities. “Americans like things that are quick and easy,” he says.

The vogue for retro could also simply reflect the spirit of the times. The Frenchman Mr Le Quement argues that there was a mood of anxiety in America as the millennium approached: consumers became nostalgic, and sought trusted aesthetic values from a familiar past. Car companies with retro styles were catching on to this popular mood, which the terrorist attacks on New York only prolonged. Sooner or later, he thinks retro will be passé, and American design will be fresh and vigorous once again.

If Europe is the hottest place for fresh car design, then Renault has to be the crucible. There is no better example of revival by design than Renault. When Mr Le Quement arrived there after 17 years at Ford and two with VW, he was ready to shake things up. Renault had had a history of innovative designs, such as the R16 hatch-back in the mid-1960s and the little R5 town car synonymous with the 1980s, not to mention the Espace people carrier, which invented that genre in Europe in the mid-1980s. By the late 1980s, however, the company had lost its way, its products were unexciting and it was losing ground in the market. In particular, its mid-range and upmarket models were so dull that the only people you ever saw in them were French prefects and government officials.

At the time, the middle and upper market segments were dominated by the German trio of Volkswagen (with the ubiquitous Golf), BMW (with its 3 and 5 series) and Mercedes (starting with its C–class). All these cars looked—and still look—quintessentially chiselled and Teutonic. Mr Le Quement realised there was no point doing what the Japanese and South Koreans had tried to do unsuccessfully: namely, to imitate the Germans. That is when he worked out that Renault needed a bold new strategy that centred on creative flair. “Design was put at the core of our strategy,” says Mr Le Quement.

This was not always easy. When Mr Le Quement presented Louis Schweitzer, Renault's chairman, with his first sketches of the Vel Satis luxury saloon back in 1996, the boss replied “*Bien sur, c'est beau*.” But, with the company losing millions, there could be no budget for such a daring prototype. As the disconsolate designer picked up his papers and headed for the door, Mr Schweitzer called out: “But do it

anyway.” That concept gave birth to Renault's new Vel Satis executive-class saloon, which *Car* magazine calls a “wedgy, rumpy, tall motor with design flair and character”. It has been an outstanding success in France. Renault expects rivals such as GM's Opel subsidiary to reflect this sort of design with its new premium-sector model.

Renault has not just gone for dashing good looks, as with the Vel Satis: it is bravely launching an entirely new genre. The latest example is the luxury two-door, four-seater Avantime coupé. Who knows whether this will define the next generation of cars? But, certainly, Renault's track record in designing distinctive new types of car is strong, going back to that revolutionary Espace multi-purpose-vehicle (MPV), which is like an American mini-van, plus style. It later had a smash-hit with the Megane Scenic, a functional small MPV, based on the hum-drum chassis and parts of the Megane saloon. This model sold many times more than forecast and launched a whole new category, known as compact MPVs.

Indeed, the designer in charge of this project, Anne Asensio, a French graduate of Detroit's CCS, has since been lured back to Detroit by GM, which wants her to work her magic there. GM is also counting on design to boost its sales. It has brought out of retirement a famous product-development expert, Bob Lutz (a legend in the American industry for rescuing Chrysler a decade ago), who famously gets along with designers and is no mean hand at sketching his own ideas to inspire them, according to GM's Mr Cherry.

So what does the designer achieve with a winning design? Most use the word “emotion” when describing what makes for a successful model. Mr Pischetsrieder says car brands are all about emotion. Ford's Mr Mays says “you have to connect with people's lives at an emotional level”. He likens cars to movies: “People have to sink in and lose themselves in the vehicle. You have to take them where they've never been before, far from reality.”

Mr Cherry at GM uses the same language. “It's an emotional connection. It's the wow factor. You have to design to communicate the essence of a vehicle, which after all symbolises your values, reflects on you as a person. You drive up and make an entrée in your car.” No wonder they are always so chic and well groomed when they gather for their receptions every few months. One has to create a good impression in person as well as on the road.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

The cult of the gym

The new puritans

Dec 19th 2002
From The Economist print edition

Working out is painful and boring. So why bother?

AT AN hour when he would usually prefer to be asleep, your correspondent drags himself into an LA Fitness gym in north London. In the changing room, he finds a reassuringly fat man forlornly weighing himself; but the other early birds wrestling with the weights machines look dauntingly fit and expert. Nursing a mild hangover and grave doubts about his vocation, he prepares to meet his nemesis.

His nemesis is an affable personal trainer, who is initiating him into the cult of the gym. Questioned about his exercise regime, your correspondent mumbles something about playing soccer from time to time. The instructor is not impressed, and introduces him to a series of contraptions that look like instruments of torture. The new boy and the step-trainer do not see eye to eye. After much sweating and huffing, the instructor estimates that it will take six months for the novice to get into shape, if he eats healthily and sticks to mineral water. The pupil makes his excuses and leaves just before the “fat burner” class begins; the trainer amicably promises to take the relieved smile off his face if he shows it in the gym again.

This humiliating ordeal is of course familiar to millions. It will soon be familiar to many more: the busiest time for gym recruitment is just after Christmas, when seasonal gluttony and optimistic new-year resolutions impel the slothful to take drastic action. The other bumper recruitment times tend to be just before the summer holidays (for which people want to look nice) and just after them (when they realise that, alas, they didn't).

The fit and the saved

The modern gym craze grew out of the aerobics fad of the 1970s and 1980s. In Britain, the industry really took off in the 1990s, when private companies entered a market that had previously been dominated by local councils. Membership of private British gyms, and their revenues, more than doubled between 1996 and 2001, according to the International Health, Racquet & Sportsclub Association (IHRSA). The leading gym franchises have rapidly become fixtures in high streets and shopping arcades. The LA Fitness chain, for instance, one of the country's most successful, was founded in 1996 and will, according to Fred Turok, its chief executive, have 73 outlets by July 2003; the (relatively modest) average monthly fees are currently £38 ($58). Likewise, gym revenue in Germany has almost quadrupled in a decade.

But the beefiest market by far is in America. There are three times as many health clubs in America as there were 20 years ago; around 13% of Americans were members at the last count, and many more attend casually. Companies hoping that the odd work-out will improve their employees' productivity and perhaps contain their health-insurance bills, along with growing numbers of older recruits, have helped to sustain the boom. All this represents quite a big change in how people in rich countries—particularly the young and affluent—spend their time and money.

To anthropologists of the future, however, the gym boom may look as much like a sinister cult as a commercial triumph. Gym-going, after all, has all the basic lineaments of a religion. Its adherents are motivated by feelings of guilt, and the urge to atone for fleshly sins. Many visit their places of worship with a fanatical regularity: a third of LA Fitness members, for instance, go virtually every day. Once there, believers are led by sacerdotal instructors, who either goad them into mass ecstasy during aerobics classes, or preside over the confessional tête-à-tête of personal training. Each devotee has his own rituals, though most rely on the principles of self-mortification and delayed gratification. The extremist cult of body-building, whose Mecca is Gold's Gym in Venice, California, has become a mass movement.

After escaping from a brush with the horizontal leg press, the question that troubles this slobbish journalist is: why? What inspires the armies of devout body-worshippers? What is the point?

Today's young professionals are not the first people in history to devote so much time and cash to the cultivation of their bodies. The word “gymnasium” comes from the Greek word *gumnos*, meaning “naked”, which is how many ancient Greeks practised wrestling, boxing and running in their gymnasia (or *palestra*). Gymnasia were part of Plato's ideal city; the Romans inherited this corporeal preoccupation from the Greeks. Ancient gyms shared some features with their modern equivalents: for instance, well-heeled exercisers could engage the services of the classical version of personal trainers. There was a fair bit of ogling. But one essential difference was that one of the purposes of gym-attendance was to prepare young men for war; it was essential for the warrior classes in martial societies such as ancient Sparta.

Conventional religiosity motivated a 19th-century form of body-worship. Christianity had traditionally regarded the body as something of an embarrassment; but with the Victorian rise of “muscular Christianity”, looking after the body became a way of worshipping the creator. Christian gentlemen were obliged to attend to their muscles as well as to their minds. Exercise was also embraced to quell the unruliness of poor, urban youths, who were shepherded into boxing clubs. And it answered worries about the sturdiness of the national gene pool, which was required to generate enough able-bodied young men to govern an empire. So the cult of the body spilled out of public schools and into the slums (and across the Atlantic to America).

Unfortunately, these precedents offer little insight into the motives of today's mostly civilian, often godless gym-goers. But there is one concomitant phenomenon that might supply an obvious explanation for the rise of the fitness religion: fat. The exercise boom has coincided with an epidemic bulge in waistlines in many rich countries: an astonishing number of Europeans and Americans are either over-weight or obese. So perhaps gym-attendance can be explained as a logical consequence of gluttony—a prophylactic or remedy for fatness in particular, and a sensible way to stay healthy in general?

One problem with this neat explanation, as a visit to almost any gym will reveal, is that most gym-goers are already depressingly svelte. According to Mintel International, a British market-research firm, more people visit gyms to tone up than to lose weight. As one personal trainer confides, fat people are generally too self-conscious to subject themselves to comparison with the flabless forms of most gym users (though some clubs are attempting to entice the shy with euphemistically named “beginners' sessions”). Society, it seems, is becoming polarised between the fat and the fit.

Moreover, if better health is what the running-machine acolytes are looking for, the gym is not always the place to find it. Cardio-vascular exercise has undeniable benefits. (The calculation made by one waggish sceptic—that the amount of time exercise adds to a life is approximately equal to the amount of time spent exercising, yielding a net gain of zero—is no doubt unreliable.) Working out can, says Jeremy Shearman, a specialist in exercise psychology at Britain's University of Essex, have wider benefits, including increased productivity. However, gyms are quite often bad for their devotees' health. That is partly because, as in any gold rush, some unscrupulous entrepreneurs have cut corners on staffing, and regulations have evolved belatedly. So, in Britain, there is no industry-standard qualification for fitness instructors, who often boast only one of many more or less bogus diplomas, or none at all. Some inflict cruel and unusual punishments on their flocks. Even adherents of sedate sub-cults such as yoga are liable to have their limbs damagingly contorted by maverick instructors.

Jonathan Betser, an osteopath in Harley Street, London, says he spends much of his time treating back problems and neck strains incurred by gym-users who have been badly advised or are over-ambitious—compensating for their sedentary jobs with lunatic and damaging work-outs. Others concentrate too much on improving one particularly beloved muscle and end up with dangerously imbalanced bodies. The peak time for such self-inflicted injuries, Mr Betser says, is (be warned) during the penitential January rush.

The sweat and the stupor

Whatever they do to the body, gyms are certainly numbingly bad for your mind. This is not simply the partisan judgment of a self-vindicating slob. The biggest problem the fitness industry faces is retaining club members, who, when their original zeal wears off, get bored with all the lonely and repetitious rituals. To combat the threat of boredom, gyms have installed distracting televisions and (in the posher ones) Internet connections to entertain the Sisyphean toilers on bikes and rowing machines. Most chains have devised zany-sounding exercise classes to bedazzle flagging members. LA Fitness, like most others, offers a range of unpronounceable varieties of yoga: *Astanga*, *Iyenga*, *Sivananda*, and so on.

At the plusher end of the market, the techniques deployed against boredom are much more elaborate. After a generous recovery time—and a more substantial lunch than was technically advisable—this correspondent subjects himself to one such elaboration at the Third Space, a swanky gym in Soho. With membership costing around £1,000 a year, the Third Space is not quite London's priciest outfit, but is probably its most chic. He heads for the club's full-sized boxing ring for an hour's instruction with Martin, a charismatic and patient professional light welterweight. Martin assures him that learning to box is a good way to get fit (the possibility of concussion notwithstanding), and one which is surprisingly popular with women. Martin doesn't seem to mind—or perhaps he doesn't notice—when his pupil breaks a promise to go easy on him, accidentally biffing him on the chin. Martin graciously allows that your correspondent could indeed be a contender, though suggests he comes down a few weight divisions before turning professional.

The boxing ring, which hosts regular “fight-club” nights for emasculated city and media types, is—says Ollie Vigors, a co-founder of the Third Space—one of the ways in which the gym tries to differentiate itself, and keep its visitors entertained. Mr Vigors includes bowling alleys and bars, as well as other gyms, among his competitors. Other features designed to give the Third Space the edge include an altitude-controlled running chamber; a reduced-chlorine swimming pool in which members can learn to scuba dive; a climbing wall; and the opportunity to be serenaded by DJs or (on Sunday mornings) a gospel choir while you work out. There is also on-site alternative therapy, including “neuro-linguistic programming” and other offerings from the outer reaches of medicine and the English language.

Many American gyms, especially those in New York, have devised even more unlikely and exotic novelties to dispel the danger of somnolence. In New York's gyms, experimental exercisers can work-out by pretending to be fire fighters; participate in a “striptease aerobics” class (not an activity likely to appeal to beginners); or engage in the oxymoronic “bootcamp yoga”. Rick Caro, who founded the IHRSA and now runs Management Vision Inc, a specialist American consultancy, says that as the fitness business becomes more competitive—and with mini-gyms opening in, among other places, airports and shopping malls—more and more facilities are carving out specialist niches for themselves. Mr Caro believes that group workouts are one of the best ways to counteract boredom (partly because wavering participants can see that some other people are in a worse shape than they are).

Research suggests that twenty-somethings are more dissatisfied with their bodies than anybody else, although they tend to be in the best condition

So what, this sweating scribbler continues to ask himself, are the compensations of a pastime whose physical benefits are variable, and which is so dull that all manner of improbable hybrids and gimmicks have to be invented to keep people at it? Why do hordes of already-fit people devote so much of their time to such a boring and self-punitive pursuit? Most other forms of entertainment that have evolved with mass affluence—such as, say, the rise of foreign holidays—are more obviously enjoyable. Indeed, one standard critique of Anglo-American capitalism argues that, at a certain point, the puritanism that originally sustained it evaporated, to be replaced by a callow and self-indulgent hedonism; whereupon pleasure replaced graft as capitalism's ultimate good. What explains this masochistic anomaly?

Help thou my unbelief

Perhaps the answer lies in the access gyms offer to gaggles of lithe and scantily clad (if not entirely *gumnos*) strangers. Many gyms are indeed designed with plenty of glass and mirrors to facilitate mutual admiration. As Tris Reid-Smith—editor of the *Pink Paper*, a gay British weekly—says, there are some gyms that attract large numbers of “muscle Marys” or “gym bunnies”, as stereotypically muscle-bound gay men are known among their peers.

In some of these, gratification is not always exactly delayed. But the etiquette in most gyms, and the strict concentration on personal salvation that prevails, precludes much in the way of flirtation. Most of the admiration is of the narcissistic variety (it is the men, fitness instructors report, who are especially besotted by the mirrors).

Changes in the structure of relationships outside the gym may be part of the explanation: the increased likelihood of divorce and separation may have persuaded attached people, unconsciously or otherwise, that they ought to stay in shape, just in case. Along with the growing demand for male-grooming products, gym attendance among men may also reflect the growing power of women in the singles market: more and more men are now afflicted by the same sort of bodily anxieties that women have endured for decades. (A contrary explanation is that the emasculation wrought by women's gains at work and home has driven some men to fall back on muscular notions of masculinity.) Perhaps, for both sexes, muscles have come to signify prosperity, just as a suntan used to be the mark of an agricultural labourer but now denotes wealth.

Explanations based on the potential rewards of swelling biceps and flat tummies assume that, at some level, gym-going is motivated by the rational pursuit of happiness. According to a more pessimistic view, going to the gym is not pleasurable (however indirectly) but pathological. Oliver James, a clinical psychologist, thinks that the fitness cult is part of a wider pattern of self-flagellation, induced by the drawing of comparisons with inappropriate role models. More and more people feel inadequate, he believes, because the standards by which they judge themselves are the visions of perfection purveyed by seemingly benign television programmes such as “Friends”. Meanwhile, too many people fail to derive any solace from comparisons that are flattering to themselves, such as with the fat man in the changing room.

The result is an “horrendous perfectionism” which, Mr James believes, prevents people from enjoying the fruits of their affluence. Few will take this “horrendous perfectionism” to the same extreme as did Yukio Mishima, a celebrated Japanese novelist who, after building a splendidly buff torso from years of pumping iron, committed *hara-kiri* rather than grow old and ugly. But still, Mr James speculates that for every person who goes to the gym for a legitimate health reason, many more are engaging in low-grade attacks on their bodies, which, in most cases, are already absolutely fine. An extreme form of this can be found among bodybuilders, some of whom suffer from a pathological belief that they are puny. According to researchers in Melbourne, “muscle dysmorphia” (or “bigorexia”), as the delusion is known, often leads sufferers to exercise obsessively and gobble steroids.

There is some evidence to support the view that working out, and other forms of body-anxiety, may be sicknesses of affluence—driven by unreasonable and unachievable expectations about where the rowing machine can take you. One personal trainer confides that, whenever a client successfully hardens or tightens one targeted part of the body, he or she invariably moves on to the improvement of another part. Research suggests that twenty-somethings are more dissatisfied with their bodies than anybody else, when, in fact, they tend to be in the best condition. Anxieties about body-shape, epidemiologists in Canada have found, are most prevalent in affluent areas. On this analysis, going to the gym will only make things worse, condemning users to an endless and destructive cycle of perfectionism.

A slightly less depressing possibility is that the appeal of the gym cult lies in the structure of religion itself. Perhaps hedonism is losing its lustre, and rich westerners once again crave the shape and strictures, however masochistic, that orthodox religion once supplied. Like Christian salvation, the holy grails of gym-goers may be distant and unattainable, and the paths towards them painful, but the rules and routines that their pursuit involves seem to provide comfort to a new and growing breed of secular puritans.

In the end, gym-attendance, like most popular religions, probably has something to do with fear of death and the quest for immortality—as if a well-toned body could somehow stave off the day of judgment.

Which, unfortunately, is just another way in which it is liable to lead to disappointment. Gyms may not actually be bad for most people who go to them; but, as a wise man once inquired about hard work, why take the risk?

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Fast food in the dock

Battling against big food

Dec 19th 2002
From The Economist print edition

The lawsuit that changed America: a report from the year 2012. A fantasy?

PHYLLIS MORRIS hailed a cab and bundled her children, Phyllis junior, aged six, and Robert, aged eight, into the back seat. “To the McDonald's on 34th and 8th”, she panted “and step on it!” As the cab jerked forward on that cool New York afternoon in 2003, Dr Morris little suspected that her journey would end, not in a well-lit burger outlet, but in the textbooks that would teach young Americans the history of their country's splendid legal system.

As the blocks flew past, Dr Morris told herself that a simple, green tossed salad would suffice for her lunch. Only her children's whining for fast food, she reminded herself, had drawn her away from her well-stocked kitchen. But as the cab drew to a halt, the truth hit her with a nauseating thud. If she entered those swinging doors, all thoughts of salad would fly from her mind. She would order a super-sized Big Mac, an extra-large portion of French fries and possibly a full-calorie Coke.

On the sidewalk, the air was thick with the dispiriting smell of frying fat. Inside those doors, she thought, lay defeat—for her, for her children and for an entire generation of Americans. If she stayed outside those doors, thought Dr Morris, she had a chance of fighting back. Outside those doors lay a chance of maintaining her self-esteem. Outside those doors, and just across the street, lay the office of Dr Morris's lawyer.

A decade later, Bentsen Hodges still vividly remembers the instant that the stocky young doctor strode into his office. “She said to me: ‘Bentsen, I've had it with those fast-food companies wrecking this nation's health,’” recalls Mr Hodges, “and little Robert trilled: ‘We're fed up!’”

Rule of law

Proportion of Americans in 2012 who are:

Overweight	69.0%
Suing someone	70.0%
Being sued	95.0%
Suing or being sued	98.3%

Litigation effects, 2012. Estimates for increase in cost of:

Cars	5%
Medical insurance	20%
Ski holidays*	138%

Jobs favoured by mothers-in-law, selected ranks, 2012

1	Mass-tort litigator	4	Surgeon
2	President	54	Firefighter
3	Company president	10,462	Journalist

Source: *The Economist* *After *Smith v City of Aspen*, 2009

Cooking up a campaign

For some time, Mr Hodges, a veteran mass-tort litigator, had been eyeing fast-food firms hungrily. “A

good attorney can get a jury to indict a ham sandwich," he says, "So I thought, why not a Big Mac?" Mr Hodges's mother-in-law had never let him forget that he had won neither fame nor fortune during the tobacco bonanza (not to mention, although she frequently did, the legal feeding frenzy over the corpses of asbestos and lead-paint firms). He was determined to be in the vanguard in the battle against Big Food.

In Mr Hodges's opinion, this was the ideal moment to attack. Americans were tired of hearing nutritionists regurgitate the same old advice about eating less and exercising more. Heart disease, diabetes and other diseases brought on by bad eating habits had recently overtaken tobacco-related ailments as the nation's leading killers. A few food makers had announced that they would start to put warning labels on their products. To popular and critical acclaim, two books—"Food Politics" by Marion Nestle (University of California Press, 2002), and Eric Schlosser's "Fast Food Nation" (Houghton Mifflin, 2001)—had dissected the ways in which the food industry manipulated people's diets.

Legally, the opening salvoes had already been fired. In July 2002, Caesar Barber, a tubby middle-aged maintenance worker, had filed a lawsuit against McDonald's, Wendy's, Kentucky Fried Chicken and Burger King. Mr Barber claimed that eating food from these chains had caused his heart disease and diabetes. Mr Barber's lawyer had also filed a similar suit on behalf of some overweight children.

At the time, Mr Hodges thought that neither suit stood much chance of success. Juries, he felt, would conclude that if the plaintiffs had exercised reasonable self-control by, say, eating less, they might have stayed healthy. Before Mr Hodges filed his lawsuit, he wanted to come up with a new and more convincing legal argument.

After some weeks of research, Mr Hodges's team plumped for the allegation that fast-food companies were knowingly flogging their products to consumers in unsafe quantities. The linchpin of Mr Hodges's case was the testimony of his expert witness, a behavioural economist named Richard Reynolds, who had published a series of papers arguing that fast-food firms employed "predatory pricing strategies" that forced consumers to make unhealthy choices.

According to Mr Reynolds, the arithmetic was as simple as it was deadly. In 2002, a regular McDonald's hamburger, small fries and a 16-ounce (47cl) Coke—all in all, 22.5 ounces of food at 640 calories—cost $2.98. A "value meal" version of the same order cost $6.09, or little more than twice the regular price, but carried 56.5 ounces of food and 1,600 calories. Mr Reynolds's research demonstrated that, faced with that choice, most people would order the value meal, and then eat it all.

In evolutionary terms, this choice made sense. It was "burrito optimal", joked Mr Reynolds, causing a couple of his fellow economists, but no one else, to collapse into hysterical giggles. Primitive man never knew where his next handful of nuts and berries would come from, so he instinctively gorged on the rare occasions when he could. Modern Americans, however, did not face quite the same challenges. Eating too many value meals, or burritos for that matter, would almost certainly cause a person to consume more calories than he burned, eventually making him unhealthily obese.

On behalf of several hundred people who claimed to have been victimised by these pricing schemes, Mr Hodges and Dr Morris filed a class-action lawsuit in April 2003, accusing six fast-food companies of fraud, negligence and reckless indifference to public welfare. The defendants all dismissed the suit as absurd and refused to discuss the possibility of settling. But Mr Hodges had marshalled just enough evidence to convince a somewhat bemused judge not to throw the case out of court.

As the two sides entered the discovery process, the lawsuit ignited an explosion of public activism. To Dr Morris's happy astonishment, shirts and mugs emblazoned with the words "Stop super-sizing us" started appearing across the country. The airwaves sizzled with arguments about nutrition, obesity and addiction. Mr Hodges began hiring research assistants and public-relations flacks. His office stayed open round the clock, and eventually he was forced to retain an in-house cook: "We couldn't be caught dead ordering take-out," he chuckles in recollection.

As that summer progressed, a constellation of smaller events revealed that public opinion was shifting to favour the anti-fast-food brigade. By the start of the new school year in September 2003, Oregon and Washington state had joined California in banning soda makers from installing vending machines in public schools. Lawmakers in California, Texas and Vermont slapped sales taxes on fast food, the revenue from which was earmarked for an anti-obesity public-health campaign. "Talk to your children about Chicken McNuggets," intoned one such public-service announcement. "They need your help to say no."

As the cause gained popularity, some of the more daring legal commentators began to consider whether what had happened to tobacco companies might happen to fast-food makers as well. It was true that the first suits against cigarette firms did not fare well in court. But then anti-tobacco lawyers adopted a fresh tactic: rather than arguing that the cigarettes themselves were poorly designed or dangerous, they started to attack the companies that produced them. The anti-tobacco lawyers managed to prove that tobacco bosses had lied to Congress and to the public about the hazards of smoking and about the addictiveness of nicotine. An avalanche of bad publicity descended on the cigarette makers. Shocked juries punished them for betraying their customers, with great severity and a blithe indifference as to whether or not those customers had truly been deceived.

It dawned on Mr Hodges then that a similar turn of sentiment could tip the scales against Big Food. Once juries started to feel hostile towards fast-food companies, their nasty tactics and their harmful products, the chains would start offering to settle, just as the tobacco magnates had. The key, explained Mr Hodges to his clients, was to keep the firms squirming in the limelight, and to keep their shareholders out of it.

The fat fight back

This proved to be a difficult task. Not everyone approved of Mr Hodges's suit. Some people thought, unfashionably, that his clients should grow up and take responsibility for their own actions. Others objected because they resented the implication that there was anything wrong with being fat. The most vocal pro-fat lobbying group, the Freedom Lobby for the Advantageously Bellied (FLAB), started a letter-writing campaign on behalf of fast-food fanciers. Their slogan was: “You eat what you choose. Choice is good. Therefore what you eat is good.”

FLAB began pushing airlines to widen their seats and organising pickets of fashion magazines that glamorised too-skinny women. Along with its British sister organisation, Currying Favour, the group led a protest march in the spring of 2005 all the way from Columbus Circle to Times Square. Former president Bill Clinton delivered the keynote address, while his svelte new wife tried not to make eye contact with any of the 10,000 marchers.

Some pro-burger activists made their voices heard more forcefully. Feeling that FLAB was not aggressive enough, some members split away to form the shadowy “Freedom Fatters”, who threw bricks through the windows of health-food shops, defaced billboards advertising weight-loss clinics and even kidnapped a few nutritionists and force-fed them with Oreo cookies. Dr Morris and Mr Hodges received several rambling death threats from the Freedom Fatters, but they simply hired more and beefier security guards, and pressed on regardless.

The fat footage

By this time, several of America's biggest law firms had taken an interest in the case, and Mr Hodges was not short of funds to tempt fast-food industry insiders to spill the beans. The first coup came in 2005, when his team obtained records of a research programme conducted by a burger chain which had concluded that the correct mixture of fat, sugar and flavour-enhancing chemicals made its product “irresistibly craveable”. Waving a dictionary in court, Mr Hodges argued that a “craving” was a kind of addiction, and that “irresistible” meant exactly what it said. This proved, he contended, that fast-food firms were peddling addictive substances, against which no amount of human willpower could prevail.

The second breakthrough came shortly afterwards, when Mr Hodges's team unearthed a set of memos, circulated among the senior executives of a certain pizza chain, which contained an estimate for how much their customers might spend on pizzas during their lifetime. Among the footnotes was an

acknowledgment that those who regularly took advantage of the firm's two-for-one offers would probably die younger, but would still contribute more to the bottom line than those who munched only occasionally. As Mr Hodges put it to a jury in Wisconsin, his voice soft and trembling with emotion: “Their best customers are doomed, and these corporate fat cats have known it for years. But they just don't care.”

The final wafer-thin mint of evidence that broke the industry was a series of videotapes of fast-food executives chatting over lunch. Joseph Kamal, a Yale journalism graduate who was working as a waiter in an upscale Manhattan bistro, secretly recorded their conversations, in the hope of gathering material for an avant-garde documentary on the eating habits of the wealthy. Certain titans of the fast-food industry, who liked to discuss the business over a light lunch, frequented the restaurant where he worked.

Mr Kamal had disguised a video camera as a security camera and attached it to the wall of the restaurant. The camera captured several of these lunches, and they are not a pretty sight. At one, an executive mournfully munches on a salad while wondering aloud why “salad can never be as totally addictive as the stuff we make”. At another lunch, a senior vice-president complains to one of her colleagues that she cannot stop her children from nagging her to give them the food that “ mommy's company” makes.

Bad taste

These remarks alone would probably have sufficed to prejudice a jury against the defendants. But the comment that most infuriated Mr Kamal, and sent him marching straight to Mr Hodges's office, was one that would have made Mr Hodges's case irresistible to any jury. An executive on a business trip to New York was being fêted by his superiors for greatly increasing the firm's market share in Saudi Arabia, Pakistan and Indonesia. The tape reveals this slightly tipsy gentleman declaring that his motto has always been: “Why bring the mountain to Muhammad when you can make Muhammad into a mountain?” The joke, received with delirious guffaws by his table companions, was less favourably received in court.

Not only did the tape appal jurors; it also disgusted the millions who saw it on television. It demonstrated, as Mr Hodges explained to both audiences, that the defendants had conspired to sell addictive and harmful substances, and what was more, that they were racist. A firestorm of public fury descended on the heads of fast-food industry executives. When *Variety* reported that Julia Roberts was to play Dr Morris in a forthcoming movie about the lawsuit, the defendants' attorneys knew that their time was up. They settled.

Dr Morris's share of the $1.6 trillion payout gave her crusade new vigour. She founded the Phyllis Morris Not for Pro-fat Organisation, which worked with teams of health experts and chefs with the goal of formulating “nutritious (and delicious!)” alternatives to fast food. Mr Hodges retired and resumed eating as he pleased, behind the high walls of his new mansion in Malibu.

After settling, fast-food firms were out of the frying pan and into the fire. State attorneys-general began suing to recoup Medicare costs spent on treating obesity and heart disease. (An objection by some dreary economists, who argued that people who die young cost the government less because they never claim social security, was swiftly dismissed.) State legislatures drafted excise taxes on high-fat foods, with carefully crafted exemptions for *foiegras* and other fancies.

Historians and sociologists are only now beginning to gauge the social impact of the decline of fast food. As Tom Liggett, a historian, writes in his book “Force-Fed Nation” (Random Penguin, 2012), nearly all of the taboos now associated with the consumption of fast food hardened during those years. Foreigners visiting America now regularly report their astonishment that the country that was the home of the hamburger no longer countenances its public consumption. Americans visiting foreign countries are equally shocked to find that in buses, malls, movie theatres and even lecture halls, it is common to see people chomping hot dogs, fish-and-chips or *croques-monsieur* quite unconcernedly. Back home in America, feeding such trash to young children is no more socially acceptable than drinking a glass of wine during pregnancy.

Mr Liggett argues that the most intriguing result of the “food fight” has been the change in the American landscape, which is somehow much gloomier. In the years following the settlement, full-colour fast-food advertisements were banned, stripping billboards, truck stops and phone booths of the cheerful red, blue and gold logos that used to lead Americans into temptation. The legislative coup de grace came when Alaska became the last of the 50 states to outlaw all fast-food marketing, merchandising and advertising

that used any form of appealing human “or human-like” figure. On a snowy slope overlooking Fort Yukon, the last, black-and-white effigy of a familiar big-booted clown was pulled down and burned.

Growing the pie

While fast-food firms now exist solely as legal and political wraiths, their legacy lives on in America's courtrooms. Though few people realise it, nearly all of today's most notorious lawsuits received their “seed money” when the fast-food settlements were paid. The most promising of these are even now percolating through the appeals process. A suit filed against American banks on the ground that they discriminated against poor people when approving loan applications will be heard before the Supreme Court in the spring. The twin-pronged assault against drug firms, for failing to make their products affordable, and also for failing to invest the necessary billions to find a cure for cancer, is likely soon to be settled out of court, probably in the low 12-figure range. One of Mr Hodges's protégés, who pioneered the technique of simultaneously representing two groups that were suing each other, almost single-handedly rewrote the Bar's code of professional ethics.

Ironically, the one class action that nobody has yet been able to bring ought to be the most profitable. Law is now America's largest industry, and therefore ripe for attack. Recently, a group of small investors did attempt to sue the legal profession for shredding the value of their portfolios through frivolous litigation. But they could not find anyone to represent them. Maybe next year.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Sleep

And so to bed

Dec 19th 2002
From The Economist print edition

Alamy

Sleep “knits up the ravelled sleeve of care”. But are we getting enough? And can we do without it?

MOST people spend nearly a third of their lives asleep. Until the invention of the electric lightbulb, they had little choice. Artificial light was dim and dear, so people rose with the lark and went to bed soon after dark. But for the past century or so, synthetic daylight has been available round the clock, and there is plenty to do at any time of day or night. For most people in rich countries, the 24-hour society has arrived. Sleeping at night, therefore, is no longer the default option. Many people decide that to make more room for other pursuits, they can do with less sleep.

But is this a wise choice? Cutting back on sleep is a huge mistake, says a small but vocal band of sleep scientists, most of them in America. Their doyen, William Dement, founder and director of the Stanford University Sleep Research Centre, reckons that people on average now sleep one-and-a-half hours a night less than they did a century ago, at great cost to their health and safety (though others dispute this figure). He thinks we are living in a “sleep-sick society”.

To make their case, Dr Dement and his followers recite a litany of disasters in which a lack of sleep played a part. On the night the Exxon Valdez ran aground off Alaska in 1989, spilling 11m gallons of crude oil, the third mate in charge of the ship was acutely sleep-deprived. When the Space Shuttle blew up in 1986, killing all aboard, the NASA managers who authorised the launch, despite poor weather, had had little sleep the night before. The nuclear accidents at Chernobyl in 1986 and at Three Mile Island in 1979 each took place at night, and each involved serious errors of judgment by tired operators.

On a more everyday level, road accidents are much more likely when drivers are sleepy. A report by the US National Commission on Sleep Disorders a few years ago found that driver fatigue contributed to over half of all vehicle accidents in America. And even if sleep deprivation does not result in death or injury, clinical studies show that it severely impairs performance—which ought to worry the boss of every underslept employee.

Yet although sleep takes up such a large proportion of our lives, we know little about it. Until fairly recently the theory was that people (like all higher animals) had to sleep to give body and mind a complete rest. But humans consume only slightly less energy when asleep than when simply resting, and we now know that their brains are highly active for some of the time that they are dozing. There are in fact two quite different types of sleep, REM (which stands for rapid eye movement) and non-REM, and

they appear to meet different needs. In early man, non-REM sleep, when the body is relaxed and the brain relatively quiescent, may have served to ensure inactivity during times (usually at night) when lying low offered the best prospect of survival. REM sleep, on the other hand, when people dream and their brains are just as active as when awake, seems to play a part in developing and maintaining the brain. Babies and young animals spend much more time in REM sleep than adults, and older people spend progressively less. Recent theories link REM sleep to learning and memory.

The universal imperative

We may not know exactly why we need to sleep, but it is clear that, at least for now, we cannot do without it. Sleep-deprivation experiments show that people become progressively less effective as they become increasingly tired. Preventing people from sleeping has been widely used as a form of torture that leaves the victims increasingly miserable, confused and suggestible, and may even kill them.

To try to understand sleep deprivation, ethical scientists prefer to experiment on rats. In one famous experiment, Allan Rechtschaffen and his colleagues at the University of Chicago placed rats on a turntable above a shallow bath of water. Every time they fell asleep, the turntable started tilting, forcing them to wake up and move to avoid falling into the water. Thus totally sleep-deprived, the rats invariably died within two or three weeks, having first become increasingly debilitated, developed sores, lost weight despite eating more than usual, and suffered a drop in body temperature. If the rats were allowed some non-REM sleep but no REM sleep, they lasted twice as long but still died eventually, after a period of sexual hyperactivity. A control group of rats that were exposed to the same stressful environment on the turntable, but were allowed some sleep of both sorts, survived.

Exactly what caused the rats to die was not clear, but some of their symptoms pointed to a failure of their immune systems. Some scientists think sleep may help to keep the immune system functioning properly, pointing to the way people seem more liable to catch colds and flu after short nights or long flights.

Propping up the eyelids

So how long can people safely go without snoozing? Chris Idzikowski, of Britain's University of Surrey, reckons it might take as much as a year of sleep deprivation to kill a human. Sufferers from a disorder called fatal familial insomnia, which prevents sleep, usually succumb within nine to 18 months.

Sleep-deprivation experiments on volunteers have stopped at a maximum of ten days, by which time the subjects were nearly asleep on their feet, and probably nodded off for frequent brief “micro-sleeps” without even knowing it. But most people would feel awful much sooner. When Charles Lindbergh made the first solo non-stop flight across the Atlantic in 1927, his main problem was staying awake. He foolishly had a short night before setting off; trying then to keep alert for 33½ hours in the air proved agonising. In his autobiography, he records how, nine hours into the flight, the desire to sleep became almost overwhelming:

> My eyes feel dry and hard as stones...My mind clicks on and off...Sleep is winning. My whole body argues dully that nothing, nothing life can attain is quite so desirable as sleep.

He did drop off several times and almost crashed once, but eventually got a “second wind” that carried him to Paris.

Experiments show that when deprived of sleep, people become less adept at mathematical and verbal tasks, and their attention span and memory suffer. Even losing a couple of hours can make a measurable difference, particularly if the loss is repeated on subsequent nights. Many sleep scientists say this is building up a “sleep debt” that has to be repaid before the debtor can operate normally again.

The standard tool for measuring fatigue is the “multiple sleep latency test”, devised by Mary Carskadon of Brown University in the late 1970s. This is carried out in a dark, quiet room, where subjects are attached to various sensors, put to bed and asked to go to sleep. The test measures the time they take to drop off. They are then woken straight away. This procedure is repeated several times at intervals of a couple of hours. During daytime, well-rested people will take 20-25 minutes to nod off. If they take less than five minutes, they are probably seriously sleep-deprived or have a sleep disorder.

Paradoxically, the more tired people are, the more confident they become that their reactions are perfectly normal. Such clouded judgment may not matter if they are selling life insurance (though their boss may think otherwise), but could be disastrous if they are driving a lorry or controlling air traffic.

Some sleep scientists argue that sleep deprivation causes not only mental but also physical deterioration. Eve Van Cauter at the University of Chicago took a sample of fit young men and allowed them only four hours' sleep a night for a week. She found that their metabolic rates changed in ways that made them more susceptible to obesity and diabetes, though once they were able to catch up on their sleep their metabolic rates returned to normal. Others dispute her findings, but nobody doubts that a reasonable amount of sleep is vital for health and well-being.

“The death of each day's life, sore labour's bath / Balm of hurt minds, great nature's second course / Chief nourisher in life's feast”

But what is reasonable? There are no hard and fast answers. Everyone's needs are different. Women sleep a little more than men, and older people a little less than younger ones. Some do well on five or six hours; others need eight or nine. Adolescents need more sleep than adults, but often go to bed late and have to get up early for school, which perhaps explains why they are so moody.

The dormouse instinct

Most people have a fairly good idea how much they need to be fully alert the next day, but may not get it because they are too busy doing other things. A common response is to economise on sleep during the working week and catch up at the weekend. In a 2002 “Sleep in America” poll of 1,000 adults across the United States, sponsored by the National Sleep Foundation, a lobbying group, respondents on average were found to sleep 6.9 hours on weekdays and 7.5 at weekends. Nearly a third of them said they needed at least eight hours to avoid feeling sleepy the next day. Just so, say the sleep-longer advocates: anything less, and you could be doing yourself serious harm.

Not so, says Daniel Kripke of the University of California at San Diego. He re-analysed data from a big 1982 cancer study to examine the relationship beween sleep duration and subsequent mortality. The study had included the question: “On average, how many hours do you sleep each night?”, and had followed up the 1.1m respondents for six years. Dr Kripke found the highest survival rate in the group that reported sleeping for around seven hours a night. Those who slept a lot more or less than that were more likely to die. Surprisingly, the “risk” associated with sleeping too much appeared to be greater than with sleeping only a little. Dr Kripke is careful to point out that his work merely demonstrates an association, not a cause-and-effect relationship. It could be that ill-health causes odd sleeping patterns, rather than vice versa. But Dr Kripke argues that his work at least suggests that doctors should refrain from recommending eight hours to everyone; this may serve merely to worry people who can manage on six or seven.

Jim Horne and his colleagues at Loughborough University take a slightly different approach, distinguishing between essential “core” sleep and a non-essential extra component that is “pleasant to take”. Just as people will often eat and drink more than they need because they enjoy it, they will grab an extra hour's snooze because it gives them pleasure.

Dr Horne thinks that calling for nine hours a night is “absurd”; seven hours of uninterrupted sleep should be plenty for most people. It is “quality that counts, not quantity”, he says. If they still feel sleepy during the day, “let them nap”.

In advocating naps, he is in good company. Several great men who claimed to need little sleep, including Napoleon, Edison and Churchill, got by on their ability to nod off briefly whenever they had the chance. Many people in Latin countries still take siestas, though modern working patterns discourage the habit. Sleep scientists say that short “power naps” can be particularly useful for keeping people alert if taken before, during or after a period of sleep loss, such as a night shift. David Dinges, at the University of Pennsylvania, found that “prophylactic” naps could improve performance for hours afterwards. Most researchers say that to be most effective, naps should be short, say half an hour. If they last longer, the nappers will fall into a deep sleep and take too long to wake up again (a condition called “sleep inertia”). For most people, napping on the job might create the wrong impression, but a few enlightened companies in America and Japan have introduced nap rooms in the hope of promoting greater post-snooze productivity.

If people are not getting enough sleep, the blame is usually laid on quasi-voluntary factors such as work patterns (shiftwork, long working hours), modern travel (jetlag) and lifestyle choices (too much partying, having young children). However, much sleep deprivation is involuntary. Many people suffer from potentially dangerous sleep disorders that often remain unrecognised because doctors know scandalously little about them.

A large number of epidemiological studies on insomnia indicate that about one person in three often has difficulty falling or staying asleep, or wakes up unrefreshed. One in ten suffers from significant insomnia. Many do not seek medical help. Some may resort to a stiff drink, which will certainly help them to doze off but, unhelpfully, will also wake them up again three or four hours later. Those who do consult their doctor may well be prescribed medication. In a poll a few years ago of 5,000 British adults, 3.5% of the total were found to be taking prescription sleeping pills. The numbers do not seem excessive, but the average time for which people had been taking the pills was one year, which means that many of them must have carried on for much longer.

Most sleep doctors reckon that sleeping pills can be useful, but should be used with great care. Regular consumers tend to need increasingly large doses and can get hooked. Some doctors have turned against drugs altogether. Dr Kripke found an association between the use of sleeping pills and higher mortality, but again, he did not show causation. It could be that sick people pop a lot of pills.

Wide awake

One of the most common, and best-recognised, sleep disorders is “sleep apnoea”, which affects around 10% of the population, particularly fat, middle-aged men. As sufferers sleep, the soft tissue in the throat relaxes and obstructs the upper airways, causing them to snore loudly and eventually to stop breathing. This wakes them up enough to resume breathing, but once they go back to sleep the whole sequence repeats itself. In bad cases, this can happen hundreds of times every night. In the morning, most sufferers will not remember any of those brief periods of wakefulness, but they will feel dog tired. The stentorian snoring often provokes jokes, but sleep apnoea is a serious and sometimes fatal malady.

Adrian Williams at London's St Thomas' Hospital says the vast majority of Britain's 130 sleep centres are dedicated to apnoea patients. A few also treat other disorders, such as restless-leg syndrome, night terrors, sleepwalking and narcolepsy. But each year, only about 25,000 people are referred to British sleep clinics—a small fraction of those for whom bedtime is a nightmare.

It is a treatment for narcolepsy—which makes sufferers irresistibly sleepy during the day—that has got the sleep scientists really excited. A few years ago, America's Food and Drug Administration approved a drug called Modafinil, sold under the brand name Provigil, to combat daytime sleepiness in narcoleptics. Modafinil makes up for patients' deficiency in a neurotransmitter called orexin, though no one knows quite how.

What is clear, however, is that the drug can also keep awake people who are tired for other reasons. That in itself is nothing new: coffee and amphetamines have a similar effect. But Modafinil's special attraction is that it does not seem to produce a “rebound” effect, whereby sleep eventually catches up after a prolonged period of wakefulness. The drug seems capable of keeping people alert for several days and nights without apparently building up any kind of sleep debt. “Half the people at sleep meetings are already taking it,” says Dr Williams.

For those who feel that life is far too short to spend a third of it asleep, this sounds like the Holy Grail. Just imagine: soldiers who can keep fighting for days until the battle is won; pilots who can fly around the world in one go; doctors who can perform marathon life-saving operations. And why stop there? Night-shift workers need never nod off again; managers can work non-stop to finish that vital report and still be perky to present it in the morning; and politicians can campaign without ever dropping. Or can they?

So far, the drug is licensed only for the treatment of narcolepsy. Experts are cautious, saying it is early days and much more investigation is needed. It may well be that Modafinil, like other drugs, proves a useful addition to the sleep scientists' toolkit. But it would be astonishing if we could eliminate sleep altogether simply by popping a pill. If we do not even know why humans, along with all other higher animals, need to sleep, how can we be sure it is safe to stop doing so?

Besides, some of man's most pleasurable hours are spent curled up in bed. Make mine a double.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

African narratives

Speaking of Africa

Dec 19th 2002
From The Economist print edition

Panos

Africa is a continent made for—and of—storytellers

DEBORAH SCROGGINS begins “Emma's War”, a memoir of her years spent studying famine relief and radical Islam in Sudan, by recounting an ancient African myth about Man and his greedy enemy, Stomach. Once upon a time, Stomach lived by itself in the bush, eating small insects roasted in brush fire, for Man was created apart from Stomach. Then one day Man was walking in the bush and came across Stomach. Man put Stomach in its present place that it might feed there. When it lived by itself, Stomach was satisfied with small morsels of food, but now that Stomach is part of Man, it craves more no matter how much it eats. “That is why”, Ms Scroggins tells us, “Stomach is the enemy of man.”

That Ms Scroggins used a tale like this to illustrate a point is nothing unusual. Africa, with its oral tradition, is full of stories, and this one said a great deal about the politics of food, which plays such a large part in Sudan's dark and unruly tale. What was surprising was that Pantheon, the publisher of “Emma's War”, succeeded in October 2002 in selling a four-page serialisation of the book to American *Vogue*—of all magazines.

Now, New York fashionistas do not normally take any great interest in the curmudgeonly civil war that has plagued southern Sudan for the past 19 years. If they have heard at all of the biggest country in Africa, it is more likely because they saw the beautiful moon-faced Alek Wek, MTV's model of the year, in the 2000 Pirelli calendar: Ms Wek is a Dinka and was born in southern Sudan. Or it might be because President Bill Clinton once ordered his air force to fire upon a pharmaceutical plant outside Khartoum, the Sudanese capital, in the belief that it was a factory making chemical weapons. Or because the conflict in the south has on occasion spilled over into Somalia, the scene of Ridley Scott's gladiatorial epic, “Black Hawk Down”. Of anything else regarding Sudan, like of so much else in Africa, most Americans remain blithely ignorant. How then did Ms Scroggins get American *Vogue* hooked on Sudan?

The answer lies not in what she wrote about, but how she wrote it. “Emma's War” is one of three remarkable works of narrative non-fiction about Africa which have come out this year. The second is about the white farmers who still call their country Rhodesia until they remember that its name has been changed to Zimbabwe. The third is set amid a sprawling African family divided between high

Emma's War
By Deborah Scroggins

Pantheon; 389 pages; $25
To be published in Britain by HarperCollins in March 2003

Buy it at
Amazon.com
Amazon.co.uk

Don't Let's Go to the Dogs Tonight
By Alexandra Fuller

Random House; 368 pages; $24.95
Picador; £15.99

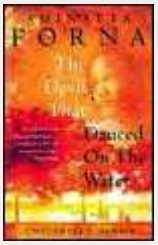
Buy it at
Amazon.com
Amazon.co.uk

government in Sierra Leone and exile in Britain.

Africa has provided the setting for a host of narratives, ever since Isak Dinesen published “Out of Africa” in 1937. These new books are among the best of Dinesen's children. Each one is a feat of story-telling, with its own inimitable voice. Each of the three authors writes about place by putting her characters at the front of the dramatic narrative, rather than heading straight for a dry political analysis of the countries in which they live.

Similarly, the authors have cherry-picked techniques more common to fiction writing. Pacing and narrative and, in particular, the development of character, are all vital to drawing the reader into a story he or she might never have thought to visit. All three are also first books, which says something about the passion that authors feel for their earliest subject; first books, like first love, live long in the heart. And all three are by women.

The Devil that Danced on the Water
By Aminatta Forna



HarperCollins; 403 pages; £17.99
To be published in America by Grove Atlantic Press in January 2003

Buy it at
Amazon.com
Amazon.co.uk

Of murder and mini-skirts

Deborah Scroggins was 26 when she first went to Sudan in 1988. As a reporter for a crusading southern American newspaper, the *Atlanta Journal-Constitution*, her job was to write about a growing food crisis in southern Sudan and what the West was doing about it. “Aid makes itself out to be a practical enterprise,” she writes at the start of her book, “but in Africa at least it's romantics who do most of the work.”

One of the most romantic figures she came across during an early visit was Emma McCune, a tall young Englishwoman with the legs of a colt and a dazzling smile. Where other aid workers wore sexless, shapeless khaki, Emma wore a red mini-skirt. She drove around southern Sudan distributing pencils and blackboards to local primary schools on behalf of an idealistic Canadian charity.

McCune might have remained a footnote, another addition to the long list of humanitarians who, for at least a century, have become involved in Sudan for reasons often half-hidden from themselves, had it not been for her sudden marriage to an African warlord named Riek Machar, or Dr Riek as he was known to his followers.

Mrs Fuller has a nervous breakdown. It is not Africa that drives her mad, but her dead children, one stillborn, one killed by meningitis, one drowned

Despite the evident sexual attraction between them, Emma regarded the match in more idealistic terms, seeing it as a way of bridging the gap between black and white. Without telling her, though, Mr Machar was soon to launch a violent quest to take over the Sudan People's Liberation Army (SPLA), the southern Sudanese rebel movement. Murder and kidnapping became part of his quest for power, and, like so many Africans, he sought money for his cause from a debonair businessman with a growl of a voice, Tiny Rowland.

What had raised the stakes for Mr Rowland, his new best friend the warlord, and the warlord's fellow rebels was the discovery of oil in the south of the country. Western oil companies were paying the northern Islamic government to gain access to the oilfields, while Christian groups in America were pouring money into the south in the belief that by propping up the rebels they were establishing a vanguard against Islam. What the outsiders were really doing, Ms Scroggins demonstrates, was fuelling the civil war.

Emma's aid-worker friends, who smiled away her defiance and flamboyant clothes in the name of English eccentricity, were becoming increasingly concerned that she had crossed the line between idealism and partisanship. Meanwhile, Mr Machar paid a visit to his first wife, a fellow Sudanese whom he had married very young and then abandoned, and they conceived their third child. Despite his many betrayals, Emma stood by her man. Two years later, at the age of 29, she was killed by a speeding bush taxi.

For a short time, the SPLA was suspected of complicity in her death, but it was more likely to have been just one of those wasteful road accidents that happen with such dismaying frequency in Africa. Emma was five months' pregnant, and her last words were for her unborn child. American *Vogue* headlined its

excerpt of the book, “The Warlord's Wife”. It was, as one magazine editor said, “irresistible”. No wonder Ridley Scott is trying to buy the film rights.

In the company of Emma McCune, misguided though she might have seemed to some, Ms Scroggins takes the reader by the hand into the hot dust of southern Sudan and the politics of the belly, where black meets white, rich meets poor and the fat white paunch of the West gets to look upon starving Africa's distended stomach. It is an encounter that reeks of brutal inconsistency; dry political analysis could never achieve the same dramatic effect, nor could news journalism.

If you think of the main recent television reports from Africa—the genocide in Rwanda, the limb-hacking in Sierra Leone, the deadly effects of AIDS in Botswana or lava snaking through the centre of Goma town in Congo—you remember just how much television's appetite is for the grotesque. In television, there is no room for little people in Africa unless they are dead or, at the very least, dying helpfully in large numbers. Reporting from the top down of this kind can be impressive, but it offers little flavour of life on the ground. More important, it sheds no light on how Africa survives, or thrives even, among all the flood, blood and famine that is its reality television. And yet thrive it does.

To explain how takes another kind of storytelling, and a different storyteller.

Alexandra Fuller is one of the many women writing narrative non-fiction about Africa today, perhaps because women—who occupy fewer positions of power, particularly in Africa—are good at telling a story from the bottom up. Ms Fuller's cast is made up of her father, a gruff but gentle tobacco farmer with cigarette ever in hand, her mother, blonde and brittle as an eggshell, and her sister. Featured too are the family's three other children, who are all dead. The setting is Rhodesia as it turns with hope into Zimbabwe, and then through fear and harassment into something darker.

Quietly, Ms Fuller evokes the smells and sounds of southern Africa, the lemony light of early morning and the song of the Cape turtle-dove, “Work-hard-er, work-hard-er”. But it is her ear for the rhythms of speech—a Rhodesian policeman in tight-squeaky shoes explaining that the way to avoid landmines is to avoid opening tins of buttery shortcake, or two sisters in an outside lavatory bickering in the dead of night over who gets to pee first and who has to hold up the torch against scorpions and snakes—these are the voices that make this book so rough, so sad and so absurdly funny.

It is not easy, or has not been until recently, to create sympathetic figures out of white Rhodesian farmers. Ms Fuller's parents are in turn drunk, loud, bigoted and visibly exasperated with their workers. Her mother, she reports, calls Kelvin, the cook, “bloody idiot” to his face when he tries to get rid of the flies in the Fullers' kitchen by spraying it and himself with an entire tin of an insecticide named Doom. “Idiot!” she shrieks over Kelvin's near-comatose body as she realises he first took care to close the windows. “You could have killed yourself.”

In time, Mrs Fuller has a nervous breakdown. It is not Africa that drives her mad, but her dead children, one stillborn, one killed by meningitis, one drowned. “It is almost lunch before anyone notices Olivia is missing. She is floating face down in the pond. The ducks are used to her body now, paddling and waddling around it, throwing back their heads and drinking the water that is full of her last breaths.” Ms Fuller's talent as a writer is there on every page, and it is sentences like these that elevate her book into a timeless portrait of human folly, and a love letter to two people whose devotion to the land they till is equalled only by their bewilderment at those who have come to rule over it.

The dark underbelly

Of course, it is not only white people who are bewildered by their leaders. African writers, such as Chinua Achebe, Bessie Head and Helon Habila, have, for the most part, turned to fiction or to the theatre to try to make sense of their continent. Traditionally, it has been white writers, ironically those you would think were most insulated from Africa's hardships, who have been the first to translate its rawness into narrative non-fiction.

After Dinesen came Rian Malan, writing about interior exile in South Africa (“My Traitor's Heart”), Peter Godwin on Zimbabwe (“Mukiwa”) and Kuki Gallmann on Kenya (“I Dreamed of Africa”). Ms Fuller is the latest, and one of the best, of a series of writers whose engagement with the cruelties of the continent is as sensitive as it is eloquent. But still, to a man (or woman), they remain stubbornly unAfrican. The black Africans who appear in many of these books are ciphers, soundless props that fill the picture, like furniture or trees. Which is what makes Aminatta Forna's memoir, the third of the three books, so

unusual.

Ms Forna is the daughter of a British mother and Sierra Leonean father who attended medical school in Scotland dressed in well-cut suits, “his dark skin glowing against the starched white cuffs and collar.” Crossing the room to greet a young woman with a French plait rising out of her long neck like a coiled tulip, he held out his hand: “I'm Mohamed. And you are?” This was 1959 and her father was not impressed. “There are black women for black men, Chinese women for Chinamen and, for all I care, green women for green men.” The two married anyway, and, after a party to celebrate his nation's independence in 1961, Forna puffed away at six cigarettes in one go: “I'm smoking for freedom, man.”

The Fornas returned to Sierra Leone. By day, Mohamed ran a medical clinic for patients who could not afford the doctors who charged for their services. Growing up, Aminatta longed to help him, and spent her pocket money on gauze, splints and Dettol to fill her very own medical bag. The five-year-old rolled bandages, and at night slept the sleep of the satisfied as well as the innocent. Her father, meanwhile, was being sucked into politics.

Forna was named minister of finance by the country's moody and unpredictable leader, Siaka Stevens. Seven years later, he confronted Stevens over the president's involvement in illegal diamond-dealing. Stevens retaliated by having him tried with a number of colleagues on trumped-up charges and hanged for treason in the dead of night. Hardly anyone protested. But Sierra Leoneans began wearing their hair in a new style: seven braids descending on either side of the crown and a single braid in the centre, running from the forehead to nape. Mohamed Forna and the 14 others.

Three times, Ms Forna, her brother and sister were sent into exile for their safety. First, with their mother they lived in Scotland, squeezing themselves into a caravan in a field because British landladies would not rent to “foreigners”. Later, after their parents divorced and remarried, it was the young Fornas' heroic new African stepmother who watched over them, raising money (from Rowland again) and making sure they did their homework.

In 2000, Ms Forna, by then a documentary film maker with the BBC, returned to Sierra Leone to try to find the truth behind her father's execution and the men who ordered it. Stevens was dead, and much of the country was being ruled by Foday Sankoh's bestial rebels. Many of those who voted in the 2002 presidential election had to do so with their big toe: both hands had been amputated. Through one of the trial lawyers, Ms Forna miraculously found the transcript of her father's trial. She also read for the first time the letter that her father had written to his children the night before he died.

Gently, taking her time, she also explores the symbolism of her journey, and how the loss of her father and the years in exile echo an Africa that survives in spite of having lost so many of its hopes and dreams. The passages about life in Britain are easy to colour in; the dark, the cold, the friendlessness. But it is when she moves her canvas to Sierra Leone that Ms Forna's memoir really explodes into life.

Not for her the romantic Africa of empty landscape and nostalgia for the wild. Hers is a great west African bus of a book, full to bursting with her extended family, her “aunties”, as she calls them, swaying with voices, music and warmth.

Just as fervent as the search for the father she lost is the search for the little Aminatta as she was before Africa, with all its giving and taking away, began to shape her into the person she eventually became. In the midst of her quest, Ms Forna goes to Rokupa, the Freetown suburb where her father's bones were buried after his body had been soaked in acid. A little girl in a cotton dress that has slipped off one shoulder watches her. “I remember her now, as I write, the little girl who once was me. If I concentrate my will I can still summon her, sometimes. She is there, the girl who believed there was a place somewhere on this earth, a place where a devil came down at dusk to dance alone on the water.”

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Language across frontiers

The English invasion

Dec 19th 2002
From The Economist print edition

English, a mongrel language itself, has spread its genes worldwide. But does this mean that other languages are doomed?

WHO are *i leader no global*? Bosses who say no to everything? Not even that concession to its own syntax does the Italian language make: no, they head the anti-globalisation movement. And that's in the *Corriere della Sera*, a Milan newspaper of much solemnity. Such is the ruthless onset of the English language. It is an utter mongrel itself, born of Latin, Greek, German, French and more, plus sundry ex-imperial spatterings. But just take a *shufti* or a *dekko*—a look, as British soldiers learned in Egypt and India respectively—at the way the mongrel is biting back.

Witness the *Corriere*'s report of one *anti smog* day, when only odd-numbered cars could move on parts of the historic Via Emilia. But if you dared to risk the *raid* along it (a word imported via France, as in *le raid Paris-Dakar*), no need to *dribblare* like a footballer to avoid the checkpoints—*lo stop* was pretty random. Not for lack of *performance*: small towns were excused. Even so, imagine the chaos if a smash had put the—open-to-all—freeway paralleling the historic road *in tilt* (roughly, a seizure, as in pre-electronic arcade games).

The same issue reported a Cartier opening where the *star* was greeted by *i clacson* of cars, *i flash* of photographers and the applause of *i fan*. Plus a Dior show—and fashion at least is French, surely? It is not. *Hard* models, a bit *drag queen*, but the cut was *soft*. Then to a rival show, where *i top*, *trench-bustier*, *body* and *short* were a trifle *porno shop*. And finally to a *super cocktail*.

The language of Dante is not alone. On one page in November the Amsterdam *De Telegraaf* used *spam*, *junkmail*, *mailbox*, *software*, *filters* and *downloaden*; recorded that a *rockdiva* had a *baby*, a *nieuw album* ("Graduated Fool") and a *single* destined to become *een grote hit*; and reported police *surveillanceteams* watching errant cars—a *stationwagon*, maybe—with a *videocamera* (but no *radar*, since some motorists use a *radardetector*). Since the 1860s, not just 1945, Japanese has adopted and adapted countless English words. German perhaps outdoes all in its readiness to be invaded: over 30 years ago, a dictionary could list 3,000 recent arrivals from abroad.

And France, whose officials are so keen to protect its tongue from "Anglo-Saxon" pollution, and whose citizens, at least the young ones, barely give a damn? Oddly, both groups may be right. French was never in fact the staid language of Racine or the Académie française. From the days of Villon, some of whose poems, in 15th-century slang, are now a conundrum even to scholars, it has constantly reinvented itself. Like English, it has also absorbed foreign words: the French stay in Algeria left it slang like *bled*, a village, or *toubib*, a doctor. Nor has it merely taken in English words but—just as English did in past centuries with French—has transformed their meaning, indeed has invented English-sounding words that English never knew: *shakehand* (although, curiously, Melanesian pidgin English has *sekan*, an

agreement), *talkie-walkie*, *recordman*, *rugbyman* and other such (though the tram-driving *wattman* is from Belgium, *dressman* is a Danish male model and *poleman*, the one in pole position, seems to have been born in India).

The -ing words of English, for some reason, are especially favoured for adoption. Among the oldest (three centuries or so) clearly English words attested in French are *pudding* (though it may itself come from the French *boudin*), *redingote*, riding-coat and (though this was never naturalised) *boulingrin*, a bowling green. Many more -ings have recently arrived, nearly all as nouns. *Le shopping* is pure English. Others are close to the English verb: *un lifting*, a face-lift, or *le pushing*, which (in Quebec) is influence or pull. But some are at one remove: *un dancing*, *parking* or *camping* are places where you do those things. And *un lashing* is further off still—not flagellation but what beauticians do to your eyelashes.

The –ing family has not moved only into French. A *smoking*, a dinner jacket, is so over most of Europe, Sweden and Russia included. A *living* is a living-room in French and Spanish; French has *listing*, Spanish *listin*, for, simply, a list.

But meanings can vary. In French, *pressing* is a dry-cleaner's shop; in German, tackling, as at football; in Italian, putting pressure. *Footing* can mean a long trek in French, but also a stroll (which in Italian can be *trekking*); or, in French, Italian, Spanish and Portuguese, it can also mean jogging, though it has now largely given way to *jogging* itself (which in Belgian French can mean a tracksuit, which in turn, in both French and Hebrew, can be a *training*). And at one time in Brazilian Portuguese, *footing* could be the evening walk round the town square, where the young men and women eyed each other up.

So maybe French need not really fear the Anglo-Saxon -ings. But what of newer arrivals like *lister*, to list, *crasher*, to crash—as of (but by now not only of) the office systems? Or *badger*, to use an electronic identity badge? Or the bar that demands *looké* clothing of its customers? Humph.

Nor, since the 18th century, has French really hit back. The arrival of British media at the European Union has exported a few French idioms to English—“reticent” for “reluctant”, “in the margins of the meeting” or “running into the sand”—but these are new uses, or abuses, of existing English words. *L'informatique*, a neat umbrella for the whole field of “computing”, “information technology” and the like, did not catch on in its English form, “informatics”. One of the few true new exports is the *change* on the fascia of the place where Britons now buy foreign currency, but even that is unknown to ordinary text or speech.

Perhaps French should have done as Spanish and Portuguese have, ruthlessly adapting English words to their own orthography. You might guess a *listin*, even a *mitin*, a meeting (and Chileans reverse the process with a *walking closet*, a cupboard you can walk in to). But would you spot *bluyins*—blue jeans? The Peruvian *guachiman* (and his wife, the *guachimana*) guarding your house, maybe. But the hitchhiker's ride, a *raid*, perhaps with the driver of a *picape*? Or the Portuguese *queque*, a little cake? And what is a Cuban's *jonron*? A home run at *beisbol*—two of many sports terms that have gone worldwide: you may suffer a *nocaute* if you deride the *gol* scored by the favourite *time* of some Brazilian football *fã*, unless, being a slang-speaking Italian, you deflect trouble at the last moment and are *salvato in corner*.

In contrast, if French purists want evidence, they can point to the dire results of German complacency: *brunchen*, *clicken*, *faken*, *fighten, flippen*, *jobben* (to work part-time), *mobben*, *outen*, *shoppen* and many more. Still, even such horrors are at least inflected German-style. Thus the staff may think they can *relaxen*, the *boss* having been *gekidnappt*, but not so once the management has *braingestormt* a bit.

And German, like French, has readily reinvented English for its own use. In sport, for example. From tennis's *Tie-Break* and *Match-Point*, German only in their capital letters, it was a short step to *Longline* (the tramlines), *Volleystop* (a drop shot) and *Volleycross* (a cross-court volley). German women, like Italian, French or some Latin American ones, can buy a *Body* (-stocking, or maybe a leotard) while their boyfriends haggle over an *Oldtimer*, an old car. And then to remake contact with a call on the *Handy*, the mobile phone.

The power of technology

That universal modern toy is strangely un-universal in its name. “TV” and “video” have conquered most of the world, not so the short and easy “mobile”. To the Dutch too it is a *handy*; to Indonesians a *handphone* (for them, a *mobil* is a car), to Israelis a *pelephone*, to the French a *portable*, to Spanish-speakers a *celular*, to Swedes a *yuppienalle*, the yuppie's teddy bear. And to Americans it is a cellphone.

Yet technology habitually spreads language. In the past, English imported “cotton” from Arabic, via Spain; “tussore” began as the Hindustani word for a shuttle. Many English seafarers' words are borrowed from Dutch. Likewise in later centuries British or American technology often took its English name abroad.

“Cement” became Shanghai's word for any street paving, asphalt included; a Gulf mechanic fixes your car with *ispannerat*. The *xerox* has spread to Spanish, Portuguese and Russian, to go no further; not to France or Germany, but the document may be *faxé* or *gefaxt*. These days it is informatics that spreads the words: an Italian may *cliccare* or *sciftare* at his keyboard, and, for all the efforts of officials, Frenchmen get their news off *le web*, and send it via an *e-mail* as much as by (delightful hybrid) *un mel*. Turks send a simple *mail*. And the Japanese—typically of their Procrustean way with foreign words—use a *pasucon*, a personal computer, for their *masu-komi*, mass communications. And if the (widely adopted) *software* goes wrong, get an Israeli *ledabeg*, to debug it.

Xerox typifies a wide range of proper names which (as often in English) have become generic. A *voksal*, as in Vauxhall, a district of London, is a Russian station. Via Indian English, a *stepney*, a spare wheel, so named after the firm that supplied them, joined Indian vernaculars—and, disguised as an *estepe*, the Portuguese of Brazil. Brazil also got a *hollerite* for a pay-cheque, and a *bonde* for the old trams of Rio, from the British firm that built them. Its citizens, when jogging, are doing *cooper*, from an American doctor who recommended it; or they may drive a *jipe* (as do many others, in various spellings), while the native Portuguese lounge in a *maples*, an armchair, as sold in that London furniture shop.

Pakistan speaks
Rich from the backside

The many vernaculars of Pakistan run riot with English words. Thus (though not in all languages–they differ widely):

Backside: one's antecedents, the past. Eg: “rich from the backside”–no parvenu.

Bootpolish: to lick someone's boots.

Cheap: coarse, sly, petty, low-class.

Condemn: (pronounced “cundum”) worthless, battered, obsolete.

Lift: special attention, praise.

Light: electric power.

Meter: “his meter has done full circle”–he's lost his temper.

Number: “make a number for oneself”–use the situation to one's own advantage.

Pull-through: (of a person) lightweight (from the thing you clean a rifle with).

Self: car ignition.

Typical: (of a person) a bit peculiar.

Water: (“vutr”) an irrigation channel.

Work: (“vur'k”) canvassing for votes.

For all of which, and more, thanks to a Baluchi reader, Shehryar Mazari.

To Koreans a stapler is a *hochikisu*, a trenchcoat a *babari*. To Filipinos (whose Tagalog gave us “the boondocks”), toothpaste is *colgate* and any video-recorder a *betamax*. A Pole's bicycle is his *rover*, a former British maker; for like reasons, the chainguard of a French or Italian motorbike is a *carter*. A French electrician binds bare wires with *chatterton*, though he will *scotcher* a parcel, while Spanish-speakers use *cinta escoch*, though that tape in Brazil is *durex* (which in turn in Mexico is socks, in Ecuador a cooking stove). And the vast migrant jargon of management-speak and finance has produced one local and short-lived jewel: at the Bank for International Settlements in Basel, 1990s French-speaking regulators learned to *cooker* a bank's assets—not fudge them, but weight them according to rules set out by a committee chaired by a certain Peter Cooke.

A serious question

There are many more oddities. Why did the land of Odysseus need to transcribe “ferryboat” into Greek script? Was it rowing that gave Czech its common greeting, *ahoj*? Why did Hungarian pick on *farmer* for jeans? Why did Finnish slang, adopting *skidi* for a child and *biisi* for a piece of music, reshape the English originals with sounds—the initial *sk-* and the *b*—that are unknown to Finland's native tongue? Did Russian really have to hire a *killer* to murder one's business rivals? Perhaps some polymath can tell us. And there is a serious side to all these curiosities. Is it true, as many believe and fear, that adopting English vocabulary is death to other languages? It didn't kill English.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

E-commerce

Profits at last

Dec 19th 2002 | NEW YORK
From The Economist print edition

Some firms are finding that there is money to be made online, after all

IT HAS become a tradition, these past three Christmases, to write of “crunch-time for the Internet”, as emaciated “e-tailers” battle to survive the winter cull and brave another year. This Christmas, however, the story may have an untraditional ending. Conventional retailers face soft sales, but many online shops are jam-packed with customers, buying everything from trendy gadgets to budget hotel rooms. The share price of Amazon, an e-tailer that is tantalisingly close to profitability, and Expedia, an already profitable online travel agent, has more than doubled this year. Lastminute.com, a British e-commerce firm that plunged in 2001, finds itself, bungee-like, back in the FTSE 250 index of leading British companies.

It is not just the Internet-shopping boom that has delivered an early Christmas gift to investors. Behind the scenes, a more significant trend can be discerned. A year ago, the collapse in online advertising sales threatened any business—from portals such as AOL and Yahoo! to online magazines such as Salon—that had built itself around banner-advertising sales. Yet necessity is the mother of invention. Deprived of advertising dollars, some Internet firms have proved surprisingly adept at unearthing alternative sources of income, from subscriptions for digital content to fees for online services.

Thus eMarketer, a research firm, says that this year American consumers paid $1.2 billion for various Internet content (excluding gambling and pornography). This is barely one-quarter of what websites raised by selling advertising space. But the online ad market is struggling. Data from the Online Publishers Association (OPA), a trade group, show that Internet content revenues are doubling each year.

Farewell to the free

This growth should build on itself. As people find less free stuff available, they will become more comfortable with the notion of buying online content. It is already hard to find such former staples as a good free e-mail service or free online-data storage, as firms like Yahoo! nudge customers towards new “premium” offerings by making the free service less useful. Theendoffree.com, a website that tracks the shift towards paid-for content and services, posts daily evidence. The latest news? Visitors to filathlos.gr should no longer expect their Greek sports news free.

The OPA counts 1,700 websites that charge for some form of digital content, from greeting cards to games to genealogy services. Weightwatchers.com, a privately owned online dieting firm that introduced a subscription service in June 2001, says it pulls in about $5m a month in fees, suggesting a paying customer base that has already grown to around 300,000 cyberdieters. (Weightwatchers International, a $5 billion public firm that licenses its brand to its online cousin, has 1m dieters a week at offline meetings.) Match.com, an online dating-site where people post personal ads, has more than doubled its paying subscribers this year, to 650,000.

Still, the successful are few: just 50 sites collect 85% of revenues, according to the OPA. Some chargers are desperate. This month, AOL Time Warner said that its online advertising sales would halve next year, and that it was redoubling efforts to sell content. AOL's latest plans have met with derision: repackaged news and entertainment remains a hard sell. But Americans will pay $14.99 for second-hand car histories from Carfax.com, $12.95 for personal credit-rating data from Equifax.com and $189.95 a year to search for their forebears at Ancestry.com, which claims over 900,000 paying subscribers. Some of the most valuable (and cheapest) content may come from customers. One site charging for “user-generated” content is Voyeurweb.com, whose audience of voyeurs and exhibitionists log on to look at do-it-yourself porn, a hobby that has boomed with the spread of digital cameras.

The Internet's ability to bring people together cheaply and anonymously has made possible the creation of entirely new business models. Some are now starting to pay handsomely. For instance, eBay, an online auction site that is the leading exponent of profitable network creation, has raised prices this year; the value of its network of bargain-hunters has grown as more people join in. NCsoft, a Korean online-gaming company, boasts more than 4m customers (250,000 of whom pay subscriptions), who join swords in “massively multiplayer” games such as Lineage, a fantasy role-playing game that can involve hundreds of thousands of people at a time. Friendsreunited.co.uk, a British website that brings together old friends, claims 8m registered users, many of whom pay the £5 ($8) a year fee that the website charges to put people in touch with each other.

Another source of revenue is fees for utility services, such as e-mail, data storage and web-hosting. This suggests that there may be a mass market for the computing-on-tap idea that IBM and Microsoft have been peddling to business customers. Yahoo! thinks of itself as the “ultimate laboratory”, testing, pricing and bundling new services to sell to its customers. “Yahoo Mail Plus”, for instance, bundles extra storage space for archived e-mails together with a forwarding service for people with more than one e-mail address. For a modest fee, customers can store valuable personal content in a Yahoo! “briefcase”. Whereas revenues from advertising grew by 22% this year, Yahoo's fee income is up by 125%, transforming the business: in a year, advertising sales have dropped from 72% to 59% of revenues. By 2003, Yahoo!, which became profitable in the second quarter of this year, expects to have 2m subscription and fee-paying customers.

This being the Internet, things are now poised to change again, with the spread of high-speed, always-on, broadband connections. Americans have generally expressed disappointment at the speed with which broadband connections have spread. But 15m households now have a high-speed connection, creating a critical mass of users that, for all the gloomy talk, continues to grow at about 50% a year.

Broadband boosts all business models, as users “do more of everything”, according to eMarketer. It may even revive growth in online advertising sales. “Rich media” adverts, which contain fancy graphics and sound, tend to be more interesting to consumers than plain banner advertising. More importantly, broadband may capture more broadcast-television ad revenues than dial-up modems have done, says Jeffrey Cole of the University of California in Los Angeles. People seem to like nipping away from the television set to use their always-on broadband connections during commercial breaks, says Mr Cole. Advertisers may cotton on and start exploring ways of advertising to this fast-growing lost audience again.

None of this is likely to mean that Internet firms will deliver on the absurd claims of the late 1990s. But it does suggest that there are profits to be made by selling consumers content and services—as well as physical goods—online. A year ago, even this modest claim would have sounded as implausible as a visit down the chimney from Santa Claus.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Vodafone loses a boss

Sir Chris's call

Dec 19th 2002
From The Economist print edition

Why is Vodafone's chief executive stepping down—and why now?

HAVE telecoms troubles claimed another victim? On December 18th, Vodafone, the world's biggest mobile-phone operator, announced that Sir Christopher Gent would step down next year as chief executive. The firm's share price is down by over 70% from its peak. Earlier this year, Vodafone reported a loss of £13.5 billion ($19.3 billion), the largest in British corporate history. Sir Chris was then loudly criticised by shareholders over his pay.

In fact, Sir Chris seems to be going of his own accord, head held justifiably high. He is unique among telecoms bosses in having survived the industry's boom and bust relatively unscathed, and has chosen the time of his departure himself. This week's news was a surprise. But the timing makes sense, because the empire-building skills that Sir Chris displayed in the boom are no longer what is needed—and he may now deploy them more lucratively elsewhere.

Vodafone's shares are down, admittedly, but those of rival operators have plunged further. The bursting of the telecoms bubble has harmed Vodafone less than its rivals. In the boom, its wireless-only strategy boosted its shares far more than those of stodgy competitors, most of which operate both mobile and fixed-line networks. Many such firms had to pay cash for their acquisitions, as they attempted to transform themselves into global operators. Vodafone, however, paid with its own highly inflated shares and took on less debt. Its massive loss was caused by write-downs associated with the takeover of Mannesmann, a German operator, in 2000. But the underlying business is sound—and it was bought with Vodafone stock.

Sir Chris also distinguished himself by buying stakes in wireless operators that could later be converted into controlling interests. Less disciplined rivals ended up with rag-bags of minority holdings, bought at the top of the market, which they have since had to sell at the bottom. Of all the firms trying to become global operators, only Vodafone has succeeded: its wireless empire has nearly 108m subscribers, in 28 countries, across five continents.

But it now faces a new challenge: integrating its separate operations in different countries, particularly in Europe, to extract the full benefits of its massive scale. It will be a difficult transition, requiring a management focus on operations rather than strategy. Having just failed to grab Cegetel from Vivendi, there are no big deals in the offing of the kind that Sir Chris so enjoys: instead, the next few years of running Vodafone will involve the managerial grind of consolidation and reorganisation. “On a personal level, he may just think it's all going to be boring from now on,” suggests Marina Gibbs of Spectrum, a consultancy.

Hence the logic of going now. At a press conference last year, he was asked when he would step aside. He replied that he still had some goals he wished to achieve, including boosting “average revenue per user” (ARPU), a figure often used to judge mobile operators, and increasing the revenue from data services, which are expected to provide much future growth. In short, having turned Vodafone into a global operator, he wanted to prove that his strategy made both sense and money.

Vodafone's financial results for the half-year ending in September provided the evidence. Core earnings were up by 30% compared with a year earlier, and ARPU rose slightly too. With the launch in October in

several European countries of Vodafone live!, a bundle of data services delivered via the latest colour-screen handsets, the firm has established a clear lead over its rivals and demonstrated a coherent strategy for migration to “third generation” technology in coming years.

Sir Chris can thus claim to have achieved his goals. He must also regard Vodafone's strong recent performance as a forceful riposte to critics of his “fat cat” pay package. His successor will be Arun Sarin, former boss of AirTouch Communications, who reaped financial gains that dwarfed Sir Chris's when the American operator was bought by Vodafone in 1999.

Can it be true that, at only 54, he will retire to watch cricket, his favourite sport? It seems unlikely. Perhaps he has political ambitions—never has the Conservative Party that he joined as a youth needed saving more. His deal-making skills and reputation will ensure that Sir Chris is deluged with offers from other firms—particularly in America, where there is no chance of people complaining that a well-stuffed executive-pay packet is simply not cricket.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Economist.com BUSINESS
PRINTABLE PAGE VIEW SPONSORED BY
About sponsorship

British Aerospace

On the defensive

Dec 19th 2002
From The Economist print edition

Britain's defence champion is under fire

THE Capital Group, a bunch of American investors, piled into the shares of BAE Systems (formerly British Aerospace) this week, helping them to edge upwards after losing nearly half of their (already depressed) value in the week ending December 13th. This was not just habitual bottom-feeding by a value investor. For all the fuss about fights with the British government and further write-offs due to troubled contracts, BAE has a solid business base in America, the world's biggest defence market, a position much envied by European rivals such as EADS and Thales.

BAE, though not a prime contractor in America (which would mean taking overall responsibility for complete weapons systems), is nevertheless well established through its ownership of Tracor and two former parts of Lockheed Martin. Its sales to the Pentagon rival those to the British government. For instance, it is a partner to Lockheed Martin on America's huge F-35 fighter programme. Indeed, its three biggest shareholders are American.

Last spring, BAE was even given clearance by the American government to bid for TRW, a defence and space contractor that put itself up for sale. But it lost to Northrop Grumman, in part because its shares were so weak. Between May 2001 and this November, BAE's share price halved, under-performing a poor market, before crashing once again in December. Investors have grown weary of BAE's appetite for repeated write-offs—£1.1 billion ($1.8 billion) in the past three years—rationalisation and contract overruns.

Further write-offs loom over two contracts, for Nimrod marine-surveillance aircraft and new Astute-class nuclear submarines. Weary BAE executives, bounced by the British government into revealing last week that more bad news is pending, sense a negotiating ploy to force them to let the government off some extra costs run up on the contracts. (In Britain, defence firms get fixed-price contracts, unlike in America, where the government awards cost-plus contracts with single figure mark-ups for the development of new products, but runs open competitions for fixed-price production contracts.) Estimated costs to BAE range from £300m to £1 billion.

This has prompted questions about management. John Weston, then chief executive, was forced out last spring when Sir Richard Evans, BAE's chairman, reneged on a promise to vacate the board chair for him. Instead, Sir Richard became an ever-more executive chairman, although Mike Turner has been appointed chief executive. Mr Turner is now busy attacking the British government, saying it should share the risk of big defence contracts and protect its champion, BAE, from foreign competition. It is hard to assess whether this will actually help BAE to secure a crucial British aircraft-carrier contract when it is awarded shortly.

British defence procurement is more open to competition than any other in Europe. BAE now faces competition for the £9 billion contract to build two aircraft carriers for the Royal Navy. The French-based Thales group is pitching a rival design, with most of the work to take place in British yards. Geoffrey Hoon, the defence secretary, has said that he cares less about the nationality of the winner than where the work is done. Whether Mr Hoon will be ready further to weaken one of Britain's few remaining national champions at a time when its shares have been beaten up remains to be seen.

There is also growing concern across Europe about the number of Eurofighter aircraft that will be ordered—BAE is a leading partner in that decade-late programme—and about the German government's procrastination over orders for a troop-carrying aircraft, to be built by Airbus, of which BAE owns one-fifth.

Yet unless there are more skeletons to emerge from the cupboard, the American investors are probably right to bet that, at today's prices, BAE shares are cheap. Perhaps a change of management would make this clearer. There has been plenty of off-stage sniping from non-executives anxious to protect their reputations, especially if the latest disclosure of problems raises questions about the firm's corporate governance. But it seems that Sir Richard and Mr Turner will probably keep their jobs for now, if only because it would take too long to find qualified replacements.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Economist.com BUSINESS
PRINTABLE PAGE VIEW SPONSORED BY
About sponsorship

Manufacturing in Europe

How to make it

Dec 19th 2002 | FABRIANO AND NAPLES
From The Economist print edition

As Fiat crumbles, Merloni is showing the way forward for Italian business

VISITORS to Fabriano, headquarters of Merloni Elettrodomestici, often think they are dreaming. Surrounded by mountains, hampered by poor infrastructure, it seems impossible that a world-class manufacturer can exist there. Yet it does.

At nearby Albacina, a plant produces cookers under Merloni's main Indesit and Ariston brands. The production line is flexible, smoothly moving different products in batches as small as one unit. Most pre-assembly processes are automated—raw steel plates are turned into oven carcasses as fast as they can be moved through massive pressing and drilling machines. It is a similar story at Merloni's plant at Caserta, near Naples, where millions of fridges and washing machines are produced each year. The washing-machine plant is the most efficient in Europe, but is about to be retooled to become even better.

In just 25 years, Merloni has become Europe's third-biggest maker of fridges, cookers and washing machines, behind Bosch and Electrolux. In 2001, it bought a controlling stake in the British white-goods arm of America's GE, including the Hotpoint brand. Another American firm, Whirlpool, is a distant fourth in the European market, which provides one-third of the industry's annual global sales of $75 billion.

The market for white goods remains largely regional, thanks to high transport costs and different tastes. Merloni has succeeded by being a regional champion and using a few strong brands to keep its product range manageable. But manufacturing excellence is its crucial edge. And its success offers lessons not just for Italian firms, but for all European ones.

Founded as a family company in 1975 and floated on the stockmarket in 1987, Merloni's success owes much to Vittorio Merloni. He started out after inheriting a small white-goods firm and buying the Ariston brand. Hugely ambitious, he modelled the firm on two Italian giants: Fiat, because it was a family firm that had grown huge from a strong domestic base, and Olivetti, for its technological innovation.

Merloni grew both organically and by acquisition, buying Indesit in 1987, Stinol, Russia's top brand, in 1999, and Hotpoint in Britain last year. Turnover has increased twentyfold since 1980 and will top *euro*2.5 billion ($2.6 billion) this year. Andrea Guerra, chief executive since the start of 2000, expects it to triple in the next three years. Profits rose last year by 76%, to *euro*74m; they are up sharply again this year. Merloni's shares have outperformed most European rivals this year, rising by 84%.

Mr Guerra expects Merloni to maintain its role as a consolidator, buying market share rather than more brands. He points out that firms with 10% of Europe's market share in white goods have changed hands since 2000, yet Europe's top four producers have only a combined 60% share, compared with the 90% of their counterparts in America. Merloni, with roughly 15% of the European market, uses a tried and tested two-year timetable to integrate acquired firms. Choosing wisely may matter even more. Merloni bought Hotpoint in Britain, but walked away from Brandt in France, believing the group to be too complex and troubled. It would do a deal in America only if it could buy a leading firm at a price that brought instant returns.

Fiat might be in less trouble today had it shared Merloni's enthusiasm for research and development. Mr Merloni was a pioneer in the use of electronics and software in domestic appliances. Merloni can connect machines to a service centre via a phone line, making possible off-site billing, testing and the dispatch of an engineer who knows what needs fixing in advance.

Fiat might also have done better to stick to its core business. Mr Merloni believes it would be fatal to be distracted from his firm's focus on white goods. (A family holding company oversees unrelated

investments, notably in energy.) Fiat diversified way beyond cars, spanning tractors to financial services. No wonder its main business suffered.

Merloni also shows how family firms can defy the factors that often limit their growth. It takes courage and planning. Crucially, Mr Merloni, who is still chairman, successfully handed executive power to professional managers in 1997, in the process easing his children out of positions in the firm. He describes Merloni as a family public company. The family, which still has control, puts the interests of the firm first. As Merloni grows, they claim to accept that they may have to give up control and become mere passive investors.

Merloni has tried to anticipate market trends, sometimes a bit too eagerly. It was early into Russia and Eastern Europe, suffering when those markets crashed in the late 1990s. Yet it is unrepentant, arguing that these places will eventually provide abundant customers as well as a base for more manufacturing.

Already Merloni has closed two plants in Western Europe, one in Italy, the other in Portugal. Mr Guerra says that Eastern Europe is fast meeting the benchmark for industrial quality. In a business with wafer-thin margins, Eastern Europe's labour costs are crucial. An hour of labour in Italy costs *euro*19, and in France *euro*30: the equivalent in Poland is *euro*2.

Some of that cost differential could be offset by higher productivity and greater labour flexibility in western countries. But the reforms that are needed seem far off. In Italy, Merloni, despite its unusually good labour relations, cannot mirror in its production cycle the highly seasonal demand for fridges and freezers. So far, unlike Fiat, it has not been held back by such rigidities. But in future it will face more pressure to locate where the best-value workers are. Without labour-market reform, ultimately that might even mean quitting Italy.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Economist.com BUSINESS
PRINTABLE PAGE VIEW SPONSORED BY
About sponsorship

Club Méditerranée

Beached

Dec 19th 2002
From The Economist print edition

The fragile Agnelli empire dispenses with another chief executive

AP

The loneliness of the Club Med DJ

AFTER the drama last week of the resignation of Gabriele Galateri, chief executive of Fiat, the car firm owned by the Agnelli family, the departure on December 16th of Philippe Bourguignon, boss of Club Méditerranée, was anti-climactic. After months of increasingly acrimonious relations with the Agnellis, Club Med's biggest shareholder, Mr Bourguignon quit after announcing losses of *euro*62m ($57m) in the latest fiscal year. He offered little explanation, beyond saying that he was a "man of ideas", seemingly no longer a quality needed at Club Med.

In fact, the Agnellis were no longer backing Mr Bourguignon's expensive drive to transform Club Med into a diversified leisure group. Instead, with typical Euro-elite clubbishness, the firm that once pioneered upmarket beach-resort holidays will be run by Henri Giscard d'Estaing, son of Valéry Giscard d'Estaing, a former French president.

The Agnellis had hoped that Mr Bourguignon would transform Club Med's loss-making empire of over 100 holiday resorts in 36 countries, just as he had transformed Euro Disney, whence they hired him in 1997. At first he did, by focusing on the core brand, cutting costs, renovating potentially profitable resorts and closing chronic loss-makers.

But he then started to diversify, adding urban leisure parks (Club Med World) and sports clubs (Club Med Gym) to the mix, and seeking to cross-sell them to clients of Club Med resorts. Despite offending the German ambassador in Paris with disparaging comments about vulgar German tourists, in 2001 he went after the sun, beer and sea market, disastrously launching Oyyo villages for 18-30-year-olds. Of these, only Club Med Gym makes money so far.

Mr Bourguignon also failed to revive Club Med's villages in the Americas, which accounted for *euro*40m of last year's losses. Americans prefer Sandals, an American chain of holiday resorts in the Caribbean, says Arnaud Frerault of Société Générale Securities in Paris. Unlike Club Med, Sandals' definition of all-inclusive embraces free drinks.

There has been speculation for months about a possible sale of Club Med, especially as Gianni Agnelli, the family patriarch, is ailing and there is an urgent need to focus on saving Fiat. But to sell now, when the price would be lousy, might suggest that the Agnellis were genuinely losing their nerve.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Economist.com BUSINESS
PRINTABLE PAGE VIEW SPONSORED BY
About sponsorship

Face value

A movie-making Luddite

Dec 19th 2002
From The Economist print edition

Rex Features

Is Steven Spielberg right to fear technological change in the movie business?

"I AM a Luddite!" declared Steven Spielberg after a recent preview screening of his film, "Catch Me If You Can", which opens on December 25th. Digital cinema, he insisted, was not the revolution around the corner that its apostles proclaim: that world was still as much as 20 years away. In ten years, he conceded, digital projectors might sit alongside mechanical ones in cinemas—but there would still be old-fashioned infrastructure to satisfy directors like himself who love the look of 35mm film.

Few directors make hits ("ET", "Jaws", "Saving Private Ryan" and so on) as consistently as Mr Spielberg. As a Hollywood mogul, he also embodies one of two competing visions about how movies will be watched in future. Mr Spielberg shudders at the notion of atomised viewers calling up a film on their laptops at the touch of a button, home and alone. A romantic, as his pet cinematic themes of fantasy, escapism, discovery and redemption show, Mr Spielberg prefers the idea of strangers huddled together in the dark, watching a flickering image on the screen.

The alternative vision belongs most famously to George Lucas, a champion of digital cinema, who helped to inspire Mr Spielberg's film-making craft in the 1960s. His voice is powerful, too: when he urged cinemas to show "Star Wars: Episode Two—Attack of the Clones" on digital screens, the industry jumped. The big studios agreed to set up a consortium to look into digital quality-standards. Digital, say its advocates, does not squelch artistry, but creates new visual options (think of "The Blair Witch Project"), and, because the recording equipment is cheaper, does so for a wider movie-making population.

History suggests that Luddites eventually lose

But what is it that Mr Spielberg really objects to? The advent of digital distribution does not, in itself, threaten his power in Hollywood. For artists, it is not a disruptive technology, as sound was in the late 1920s, when an entire generation of movie-stars suddenly found themselves jobless. His objection, rather, is truly Luddite: it is to the idea that this technology represents progress at all. The digital moving image, unblemished by scratches, hairs, burn holes or splice marks, may mesmerise techies, but purists such as Mr Spielberg believe that it robs movie-making of its artistry. He makes lavish use of computer-generated special effects, but he still passionately prefers the look and feel of celluloid film. Indeed, his most recent films, such as "AI" and "Minority Report", betray a profoundly ambiguous, if not sceptical, attitude to all technological change.

In an entertainment industry increasingly shaped by digital technology, can even such an influential figure as Mr Spielberg really defy digital? Remarkably, the technology in cinemas is essentially

unchanged since the 1920s. Film distribution is laborious and costly. Each cinema needs a print of the film, made from a master negative, costing some $1,000-2,000 apiece and weighing 15-20kg. Each print must be delivered in its metal canister by courier to the cinema, where the reels are spliced together, spooled on a platter and fed through the sprockets of a film projector. And after all that effort, film fades with use.

Stored digitally, by contrast, a movie does not deteriorate. Digital cinema cuts distribution costs, as each movie can be beamed instantly via satellite around the world. It makes it easier to manage capacity in theatres: a popular film can simply be shown on more screens, avoiding the rush to obtain extra film prints of a surprise hit. And it opens up new revenue streams for cinema-owners, such as concerts or sports matches beamed live via satellite. In sum, the studios in America could, by going digital, save $1 billion and reap extra revenues of up to $800m a year, according to a study by Booz Allen Hamilton, a consultancy.

Yet Mr Spielberg is not alone in his Luddism. His attitude happens for now to be aligned with the interests of the big studios, which own most of the distributors. They are reluctant adherents to digital, partly for fear of piracy. Long after the record industry was shaken by Napster, the studios have only just begun to test the rental of digital movies downloaded from the Internet, via a new site, Movielink. But it takes hours to download a single movie; and the studios will jealously keep new releases well away from the site until they are also out on video.

From the Jaws of victory

The main ally of Mr Spielberg's Luddite band is the dismal science. The long-term economic case for digital is strong, but today the movie business is driven by short-term economics. Digital cinema is available on fewer than 100 of the 36,000-odd screens in America, because of the high initial cost of investment. Today, cinema distribution is based on a high variable cost—the more screens that show a movie, the more it costs—whereas digital cinema requires a big initial capital outlay, after which the cost of additional distribution is close to zero. It would cost $5 billion-7 billion to go fully digital in America, reckons Booz Allen.

But a tipping point is likely to arrive when digital becomes economically irresistible. Equipment costs have fallen by half since 1998; they probably need to halve again. Firms with satellite networks to exploit will also make it more worthwhile for the movie industry—such as Boeing, which has already installed nearly 30 digital cinema-screens that use its communications infrastructure and satellite distribution system.

History suggests that Luddites eventually lose. In the 19th century, publishers resisted the phonograph, claiming that it would destroy sales of sheet music, just as the phonographic industry later feared radio. Neither proved any more correct than Hollywood's worry a century later that home video would kill cinema-going. Rock stars grumbled about the shift from vinyl to CD, but got over it. Film-makers may be addicted to celluloid—which Mr Spielberg once dubbed a more “expensive habit” than heroin—but the day will come when there are no flickering screens, no hairs, no dustmarks. Indeed, no more film.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

French banking

Farmers' folly

Dec 19th 2002 | PARIS
From The Economist print edition

Crédit Agricole's high bid for Crédit Lyonnais shows muscle, but no discipline

Get article background

CHIC Parisian bankers tend to snigger at executives from Crédit Agricole, a big mutual bank that serves mainly France's farmers and craftsmen. Their suits are rustic, says one, and their ties often clash with their shirts. To do business with them you have to eat and drink your way through four-hour banquets.

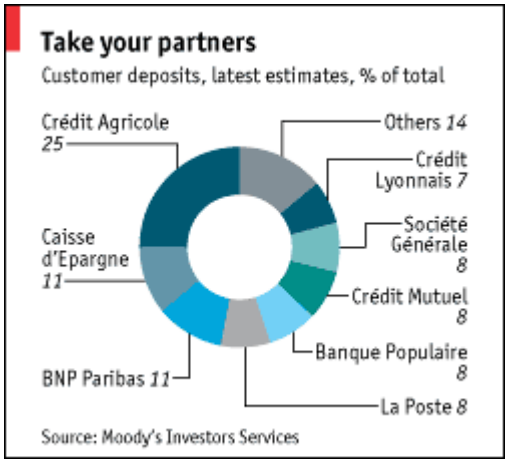
Since Crédit Agricole launched an agreed *euro*19.5 billion ($20.1 billion) bid for Crédit Lyonnais, France's sixth-largest bank by assets, this week, rivals have been mocking its judgment too. To head off the advances of another suitor, BNP Paribas, France's biggest bank, the mutual has offered a very high price. If the merger comes off, it faces a struggle to take costs out of the combined bank and rebuild its credibility with investors. BNP Paribas may yet make a counter-bid. Either way, the tussle over Crédit Lyonnais is likely to trigger more mergers among French banks.

Most damaging of all to the pride of Crédit Agricole is the fact that it could probably have had Crédit Lyonnais for less. It had refused to pay the government the price it wanted—*euro*44 a share—for the state's 10.9% holding. When the finance ministry called a snap auction for the stake at the end of November, BNP Paribas unexpectedly carried it off. Crédit Agricole's finance director, Gilles de Margerie, called the price BNP Paribas paid “stratospheric”—*euro*58 a share, nearly 50% more than the market price at the time. But because it let another bank in, Crédit Agricole has now had to bid a mere two euros less.

Why did the farmers mess up? Although Crédit Agricole has a central body and a stockmarket listing, it is controlled by its 45 regional banks. Some have long opposed a merger with Crédit Lyonnais. They made sure that Crédit Agricole refused to pay the government's asking price and low-balled in the auction. In 1990, Crédit Agricole's central body lost a billion French francs of the regional banks' money on investments overseas, including in Britain's Polly Peck. That has left them suspicious of their central office's designs. A rival banker believes that some folk at Crédit Agricole regard Crédit Lyonnais as just “an expensive ballerina.”

Despite the appearance of backing from the regional banks for the Crédit Lyonnais bid, there is dissent about how the banks should fit together. That could hinder cost savings. Two regions, including Paris & Ile-de-France, have not consented to the bid. Edouard

Esparbes, head of Paris & Ile-de-France, worries that his network will be dominated by Crédit Lyonnais, a competitor. The banks plan to keep their two retail networks separate, and both will retain their commercial autonomy. That will not work, bankers say. “Will Crédit Lyonnais be allowed to open a new branch next to Crédit Agricole?” asks one.



If Crédit Agricole succeeds in buying Crédit Lyonnais, the regional banks will soon start another debate: whether Crédit Agricole should keep moving away from its roots as a mutual and become, in effect, a listed bank like BNP Paribas and Société Générale. On the basis of its bid, Crédit Agricole's listed central body, Crédit Agricole SA, would buy Crédit Lyonnais with the financial backing of the regional banks as well as a new issue of shares. The regional banks' stake in the central body would fall from over 70% to 51%.

The next step away from mutuality would be for this holding to fall below 50%, and for the listed vehicle to take a greater share of the profitable retail-banking business of the regional banks. It now has 25%. Such a shift would make Crédit Agricole SA shares far more attractive. Many of the regional banks would oppose such a move for political and social reasons, although it will be difficult for outside shareholders to divine their views. Trying to understand the way the regional banks make decisions, says the chairman of another French bank, is like studying fossils.

BNP Paribas's argument for a counter-bid for Crédit Lyonnais would be the greater cost savings it thinks it could wring from a merged bank: over *euro*1 billion, against Crédit Agricole's promised *euro*760m—which some analysts consider too optimistic. Because BNP Paribas's retail network is centralised, like that of Crédit Lyonnais, savings would come more easily than for Crédit Agricole, whose regional banks have their own separate infrastructures. And, because a large number of French bank staff will retire in the next few years, BNP Paribas would have a one-off chance to cut labour costs without forced redundancies. Crédit Agricole, on the other hand, says it will leave the two retail networks alone and get most of its savings from corporate and investment banking.

When BNP Paribas snapped up the government's stake in Crédit Lyonnais, says Guillaume de Saint-Seine, a banker at Schroder Salomon Smith Barney in Paris, “the band started up, and it will not play only one tune.” There are scenarios besides, and beyond, that of Crédit Agricole carrying off its target. Michel Pébereau, the predatory chairman of BNP Paribas, may well bid, especially if his bank's shares recover further from their fall after the auction. If he does, Société Générale might then attack BNP Paribas, its old enemy. If, on the other hand, Mr Pébereau decides to leave Crédit Agricole to overpay for Crédit Lyonnais, he could renew his overtures to Société Générale, which he tried unsuccessfully to take over in 1999.

The wider lesson of Crédit Agricole's pursuit of Crédit Lyonnais is that there is still domestic capacity to eliminate before European banks start thinking about mergers across borders. In Germany, a flirtation between two big institutions, HypoVereinsbank and Commerzbank, has been gossiped about for weeks. Although banks are concentrated in Britain, Spain and the Netherlands, those of France, Germany and Italy need to rationalise at home before venturing abroad.

Executives at Société Générale, who would like a merger partner abroad, noted that no foreign banks bid in the auction for the government's stake in Crédit Lyonnais, although the finance ministry got calls from banks in Spain and elsewhere. Bank consolidation across European borders, though long-awaited, still seems some way off.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

American exchanges

Market failure?

Dec 19th 2002 | NEW YORK
From The Economist print edition

NASDAQ is struggling to avoid becoming yet another victim of the new economy

ONE by one, the leading participants in the stockmarket bubble are being squeezed, often to death. First, it was high-flying companies. Then it was their bosses. Now it is the turn of the high-tech NASDAQ stockmarket.

On December 13th, after a report in the *New York Post*, NASDAQ issued an indignant statement. Yes, it admitted, its chief executive, Hardwick Simmons, would be replaced after March 2003. But, it asserted, this transition had long been planned and was entirely routine. That might have been wholly believable but for the non-routine problems that are becoming increasingly apparent.

AP

Reversal of fortune needed

NASDAQ's lightly traded shares have lost one-third of their value since they began trading last summer, and its competitive position is eroding in an industry in which conditions are difficult enough in any case. There has been little enthusiasm for its new trading system, known as SuperMontage, which began to be rolled out in October and is now able to handle transactions in all listed shares. Other ambitious ventures are also falling apart.

It is hard to blame any of this on Mr Simmons, a bright executive with a rare ability to be candid. His sin was to inherit his job in early 2001. At the time, the technology stocks that had made NASDAQ a byword for success were collapsing, causing a cascade effect. Numerous companies trading on the exchange went bust, and initial public offerings dried up. Healthy companies deserted in droves to the New York Stock Exchange.

To make matters worse, the strategy launched by Mr Simmons's predecessor, Frank Zarb, has been unravelling. Mr Zarb arrived in 1997 to clean up a trading scandal and departed four years later with a multi-million-dollar severance package dripping with perks and a reputation that causes his name to pop up every time a senior economic position in government becomes available. The American Stock Exchange, acquired in 1998, is back on the block, having been first poorly integrated into NASDAQ and then ignored. Efforts a year later to build NASDAQ into a global trading network through ventures in Japan and Europe have failed. The Japanese venture was recently abandoned and the European one has yet to prove viable.

Other initiatives remain half-born. At the beginning of 2000, a plan was announced to split NASDAQ from the National Association of Securities Dealers (NASD), its regulatory arm. A partial sale was arranged, but the Securities and Exchange Commission has not approved an independent NASDAQ as an exchange.

So the NASD remains a reluctant ward and a full public offering is on hold.

NASDAQ's most important initiative, because it is most closely tied to the exchange's core business, was the creation of SuperMontage. It was intended to consolidate all orders from market makers and a growing horde of tiny, entrepreneurial competitors known as electronic communication networks (ECNs).

Initially, SuperMontage was thought to be an ECN killer, but the minnows lobbied the SEC adroitly. Its approval was delayed several times and numerous efficiency-sapping constraints were placed on it. As a result, it has won only limited acceptance and may never be the dominant force NASDAQ hoped. “There is nothing wrong with the technology,” says Benn Steil, of the Council on Foreign Relations. “They built a platform that everyone can use but critical players don't want to support it.”

Among the toughest competitors is a particularly large ECN formed out of two others, Instinet and Island, that played a role in saddling SuperMontage with limitations, and then opted out because its own systems were less restricted. Another, Archipelago, now NASDAQ's largest customer, will soon leave it as well. No doubt NASDAQ will want Mr Simmons's successor to be a match for the ECNs in dealings with regulators.

One reason why regulators may hesitate to help NASDAQ out is that the pressure on the exchange has done wonders for the internal dynamics of its markets, if not for NASDAQ itself. According to Plexus, a data-analysis firm, the once glaring price discrepancies in shares traded on both NASDAQ and the New York Stock Exchange have been largely eliminated, particularly for sophisticated institutional customers. Liquidity is a stockmarket's lifeblood. So it is essential for NASDAQ that SuperMontage gains and holds a large share of trades. If it does not, and the costs of trading through NASDAQ rise, the consequences could be serious.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Japan's distressed-asset industry

Vulture's-eye view

Dec 19th 2002 | MIYAZAKI
From The Economist print edition

The hopes and troubles of foreign bargain-hunters

IT IS a dubious distinction, but Phoenix Seagaia is probably Japan's most spectacular distressed asset. This 850-acre resort in Miyazaki, on the southern island of Kyushu, boasts five hotels, several golf-courses, a botanical park and a zoo. The Ocean Dome, the world's largest water park, has a retractable roof, an artificial "ocean", a sandy shore created from 600 tonnes of crushed-to-measure marble and a wave-machine with 200 variations.

Dreamt up and financed in the bubble years of the 1980s by local governments and industries and by Dai-Ichi Kangyo Bank, Seagaia cost ¥200 billion ($1.6 billion), more than twice its original budget. By the time it opened fully in 1994, the bubble had burst, but bad planning also contributed to its downfall. Seagaia opened with more hotel rooms than there were seats on daily flights into Miyazaki, a sleepy, largely agricultural area. Sales were poor, and the business collapsed last year with liabilities of ¥272 billion. A little later, Seagaia was bought for $140m by Ripplewood, an American private-equity fund best known in Japan for buying Shinsei Bank, the former Long Term Credit Bank, which had been nationalised in 1998.

Michael Glennie, president of Ripplewood Lodging, hopes for a return of at least 30% by the time his firm exits, probably in three to five years. Sheraton, a hotel firm, and Troon, a golf-course operator, have been hired to manage Seagaia's amenities. For the time being, the Ocean Dome, which was losing ¥2m a day, has been closed. Ripplewood is also spending $100m on renovations that will be completed next year. The aim, says Neil Palmer, managing director at Sheraton Resorts, is to create a world-class resort to compete with rivals in Hawaii or Guam.

Will Ripplewood succeed? Bankers say that restructuring of failed companies' operations is the riskiest part of the distressed-asset business—although they add that it is a growing market. Other distressed-asset buyers stick to purchasing and selling property: profit margins of around 15% can usually be made by buying, refurbishing and reletting buildings and then selling them on.

Others focus on bad loans. Packets of debt, from banks, bust life insurers or bankruptcy trustees, can be bought for about 10-15% of book value. Sometimes buyers simply foreclose and sell assets, but they often help small companies avoid the stigma of bankruptcy. They might, say, persuade the owner of a factory to close it, so that land on which it stands can be sold.

The trick, say investors, is to price the randomly bundled packets of assets correctly. Partially-built golf-courses that have only had two holes completed, say, are worth virtually nothing. They must also price in the time needed to negotiate with other creditors when there are multiple liens on loans.

Many participants have been frustrated by the distressed-asset industry's slow growth. Although the market is potentially enormous—the stock of loans by deposit-taking institutions to borrowers who are bankrupt or in danger of bankruptcy totals ¥33 trillion—undercapitalised banks cannot afford the write-offs involved in selling distressed assets. This stifles the market.

Another difficulty is that the distressed-asset business is far riskier in Japan than in America or Europe. Large losses are not unusual, forcing some funds to shut up shop in Japan. This is not just the product of the sheer volume of bad assets and the weakness of the economy. Local managers are also too ready to let money sleep, in Japan's ultra-low-interest environment, hindering speedy disposals.

The domination of the industry by such names as Goldman Sachs, Morgan Stanley, Lone Star and Moore Capital, has given rise to conspiracy theories about American vulture-funds making easy profits at Japanese expense. This can sometimes make business harder, even though the foreigners have brought much-needed expertise in corporate workouts.

The industry's biggest concern, however, is that the flow of distressed assets on to the market could dry up if the government props up moribund companies. That could prompt foreign banks and funds to move on to easier climes. With the global economic outlook still cloudy, there are sure to be plenty of distressed assets on offer elsewhere.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Allianz

Jump or push?

Dec 19th 2002
From The Economist print edition

The boss of Europe's biggest insurer quits unexpectedly

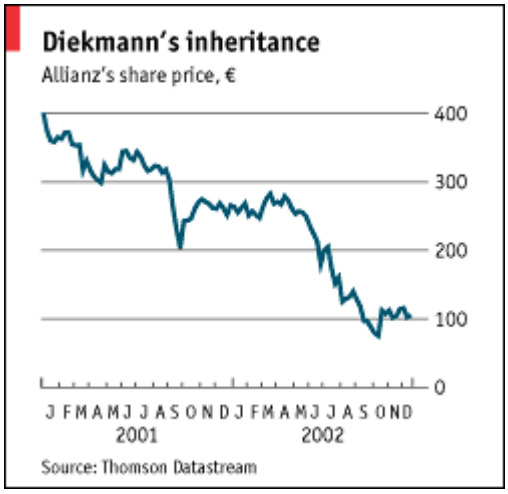
SO WHY did Henning Schulte-Noelle leave? On December 18th the boss of Allianz, Europe's biggest insurer and the world's second-largest asset manager, surprised everybody by announcing that he would step down next April. Allianz, which through its many shareholdings could claim to be Germany's most influential company, is heading for a big loss this year—thanks in large part to its troubled banking arm, Dresdner Bank.

"My resignation", insisted Mr Schulte-Noelle, "has nothing to do with the current business development." Allianz's line is that Mr Schulte-Noelle, who is 60, merely wants to head off damaging speculation over his successor: Allianz bosses' contracts must be renewed yearly after that age. Mr Schulte-Noelle is also expected to ascend to the insurer's supervisory board. Fine, but he is still bowing out early, and after a wretched year.

Mr Schulte-Noelle's likeliest successor had been expected to be Paul Achleitner, the chief financial officer, or Helmut Perlet, the management-board member overseeing the clear-up at Dresdner, which Allianz bought last year. In fact the new boss will be Michael Diekmann, head of Allianz's insurance operations in the Americas.

Mr Diekmann is said to have been sceptical about the Dresdner deal. Nonetheless, he says he will press on with the integration of the bank. Either way, the pressure on the bank and its chief executive, Bernd Fahrholz (who also sits on Allianz's management board), is unlikely to ease. Last month Mr Schulte-Noelle gave an interview to a German magazine that looked like a shot across Mr Fahrholz's bows. "Dresdner Bank will continue to lose money next year," predicts Marc Thiele of Commerzbank.

Dresdner is not the only bleak spot in Mr Diekmann's inheritance. Floods in Central Europe, provisions for asbestos claims at Fireman's Fund, an American subsidiary, and losses in equity markets have helped push expected losses to between *euro*800m ($822m) and *euro*1.5 billion this year. The share price has fallen by three-quarters in two years (see chart). That said, if equity markets pick up, so should Allianz's fortunes. Unlike many German insurers, it has not had to sell heavily to meet regulators' demands, and remains dependent on share prices. Its net asset value changes by 1.7% when equity markets rise or fall by 1%.



Despite an awful year for insurers, Allianz's international expansion under Mr Schulte-Noelle should leave Mr Diekmann with sound insurance businesses in Italy, France and America, as well as Germany, at a time of rising premiums. Then there is thriving PIMCO, one of two American asset managers bought in 2000.

So maybe Mr Schulte-Noelle's departure indeed has nothing to do with the Dresdner fiasco. Mr Diekmann may even keep the bank—especially with his predecessor looking down from the supervisory board. Yet Dresdner has tarnished Mr Schulte-Noelle's legacy. If the bank keeps performing as badly as it is now, the case for sale will strengthen.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

The Financial Services Authority

Headhunting

Dec 19th 2002
From The Economist print edition

Britain's super-regulator ain't broke, but it needs fixing

WANTED: fiftyish figurehead, well-versed in global financial issues and the minutiae of British consumer finance; diplomatic and civil-service skills essential; ready wit an advantage, especially when being roasted by parliamentary committees.

There will be such a vacancy at Britain's giant super-regulator, the Financial Services Authority (FSA), when Sir Howard Davies steps down as executive chairman next October, four months early, to head the London School of Economics. Sir Howard may have more than one successor, because the top FSA job, in the view of many, should be split between a non-executive chairman and a chief executive.

More important than the choice of person, says Don Cruickshank, outgoing chairman of the London Stock Exchange (and himself a possible candidate for the FSA job), is the legal framework within which the FSA is obliged to operate. He is referring to the Financial Services and Markets Act of 2000, which he fiercely opposed on the grounds that the FSA's statutory preoccupation with prudential rules and consumer protection might obstruct free and fair competition in one of the world's main financial centres.

The government is to start a review of the FSA next November. By then it may already have decided to split the top job. Observers see plenty of room for improvement, especially in the middle ranks where there are muddled views on what the regulator of everything from banks and insurers to financial advisers should be doing. The three managing directors—Michael Foot, for banks and markets, Carol Sergeant, for risk and regulation, and John Tiner, for investment and insurance—are “grotesquely overworked”, says a City observer.

That showed in mid-November when Mr Tiner and Sir Howard were flayed by a House of Commons committee. They were defending the FSA's failure to head off an insolvency crisis among spivvy investment vehicles known as split-capital trusts; they defended poorly because neither they nor their staff had found time to do their homework.

The FSA's shortcomings are a pity, because it is a potential role model for an increasing number of European financial regulators—for example in Germany, Austria and Hungary. It may have got into too much detailed rule-making, which it must now simplify, rather than fixing with yet more rules.

Sir Howard is acknowledged to have been good at establishing the FSA, but not always at running it. Whoever succeeds him will need international clout as financial regulation converges worldwide: to inspire convergence towards, not away from, London standards.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Economics focus

Wobbly pillars

Dec 19th 2002
From The Economist print edition

The European Central Bank is pondering change. Good

CENTRAL banks, those notoriously opaque seats of power, rarely pay heed to their critics. The European Central Bank, however, has recently given signs of being a surprising—and welcome—exception. ECB watchers have long complained that the bank is a poor communicator, but when it cut interest rates earlier this month, it had prepared financial markets thoroughly for its move. Next, the bank at last produced a proposal for reforming its voting rules when the euro takes in new members. And now the ECB is reviewing (albeit with no promise of change) the very rules by which it steers monetary policy: its definition of its primary objective of price stability, and the strategy it uses to pursue this goal. “The ECB has an open mind,” says Lucas Papademos, its vice-president. After four years, it is indeed time for a careful rethink.

You can see why the bank might contemplate change. The euro area is stalling: GDP grew by only 0.3% in the third quarter, and may slow even further; the region's three biggest economies—Germany, France and Italy—are all wheezing. Fiscal policy is no help, constrained as it is by the European Union's stability and growth pact. Some countries have already burst the pact's 3% ceiling on budget deficits. The European Commission, whose president, Romano Prodi, has called the pact “stupid”, has proposed some reforms, but the rules will stay restrictive.

The ECB's contribution to reviving Europe's economies in this troubled year has been slight. Although it had been clear for months that growth would be weaker than was expected at the start of the year, a rate cut does not seem to have been seriously contemplated until November. Arguably, the bank's policy objective is defined too tightly, and has held the ECB back from reducing rates sooner.

A matter of definition

Although the ECB's duty to maintain price stability is laid down in the Maastricht treaty, the definition is left up to the bank. The ECB has chosen an inflation rate of less than 2%: more ambitious, for example, than the Bank of England's target of 2.5%. This toughness is largely a legacy from the Bundesbank, Germany's central bank, created after the second world war, when memories of hyperinflation and the damage it had wrought were clear. When the euro was born, the Germans insisted that the euro area's central bankers should share their disdain for inflation. The tightness of the target may have made the ECB too slow to cut interest rates this year: euro-area inflation has been persistently, though not far, above 2%. Ironically, it is Germany that is suffering most. The German economy is growing at best feebly, and inflation there is only 1.1%.

Just as worrying, the ECB's anti-inflation strategy is sometimes hard to follow. This strategy also bears the stamp of the Bundesbank. It rests on what the bank calls two “pillars”. The first is the rate of growth of the broad-money supply, M3. This reflects standard monetary theory: that monetary growth is a good predictor of future inflation. The second pillar includes everything else that might affect inflation: aggregate demand, capacity utilisation, wage growth and so on.

Many economists have found the bank's emphasis on the money supply puzzling, not to say confusing. Monetary growth has long been far above the bank's “reference value”—nothing so crude as a target, please—of 4.5%. This has to be explained away, month after month: for over a year, a portfolio shift from equities into cash, the result of stockmarket uncertainty, has been the ECB's favoured (and, to be fair, reasonable) explanation. Little is gained by giving money its own pillar. Nobody doubts that central banks should keep a close eye on monetary developments. Yet other central banks manage to watch,

discuss and report on monetary and credit growth without sharing the ECB's fetish.

Granted, there would be dangers in changing course now. The ECB is still a young institution. Loosening the inflation target so soon might suggest that it was soft on inflation, or at any rate indecisive. It would also be wrong to assume that an easier target, although it might this year have led to swifter interest-rate cuts, would necessarily raise the euro area's long-run growth rate. It would certainly not absolve Europe's politicians from the duty to undertake structural reforms of their economies—as it happens, one of the ECB's favourite themes. It would be catastrophic for the ECB's credibility if it fell into the habit of changing its target every few years to match the economic weather. Similarly, knocking the two pillars into one might smack of strategic inconstancy. Continual revamping of the bank's approach might make people suspect that the bank didn't really have a strategy at all.

Yet the advantages of a change of tack would be greater. An easier inflation target, in a region that now has 12 countries and in a few years could have 20-plus, would reduce the risk of deflation (small, say some; significant, fear others) in any single member state. The two-pillar strategy, intended to make the ECB's policies clearer, has done the opposite.

A further advantage is that a slightly easier inflation target—one point either side of 2.5%, say—and the demolition of the monetary pillar would not even require the ECB to change its behaviour very much. Broadly, it would merely codify what the ECB already does. Studies suggest that, whatever the Maastricht treaty says, it has acted roughly in the same way as other leading central banks: ie, as if it were responding to changes in both inflation and economic activity in the euro area. Its interest-rate cut this month was made in the face of inflation stubbornly higher than 2%. The cut was not a reaction to monetary trends, but to slackness in the real economy. A closer match between what the bank says its strategy is and what it actually does would not harm its credibility, but strengthen it. A change is due.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

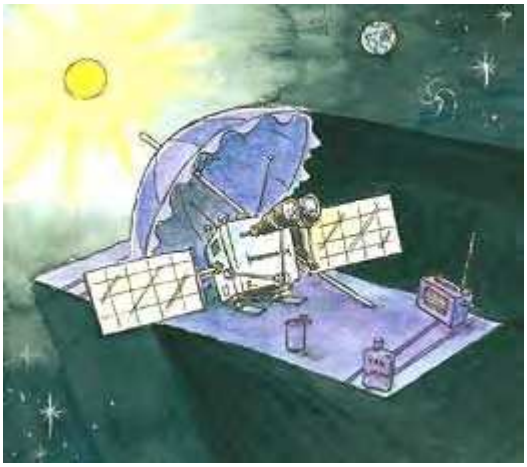
About sponsorship

Space telescopes

A Webb of intrigue

Dec 19th 2002
From The Economist print edition

Plans are afoot to build a replacement for the Hubble Space Telescope



"SILENT NIGHT" may be a pretty Christmas carol, but in the real night sky all is neither calm nor bright. Supernova explosions abound; galaxies collide; black holes swallow entire stars. So much for calm. And for all the enormous amounts of energy released in such cataclysms, they take place many, many light-years away. So much for bright.

To detect all the excitement more clearly, astronomers have thus been trying, ever since Lyman Spitzer first proposed the idea in 1946, to launch bigger and better telescopes into space. That takes them above the muck of the earth's atmosphere, enabling them to make their observations with far greater precision.

After a shaky start, the most famous such telescope, Hubble, has yielded spectacular results. This instrument is named after one of the greatest astronomers of the 20th century—the man who showed beyond doubt that the universe is both huge and expanding, and who made the first stab at working out how old it is. Perhaps it is a sign of the times that Hubble's planned successor is named after a bureaucrat rather than a scientist. James Webb was the second administrator of NASA, America's space agency. If all goes well, the James Webb Space Telescope will be launched in 2010.

Considering that it took Webb's incarnation of NASA less than a decade to put a man on the moon, that may seem a rather leisurely timetable. Astronomers have, however, learned to be grateful for any crumbs of real science that fall from NASA's space-station-dominated banqueting table. And if the Webb telescope is built and launched (preliminary contracts were issued a few months ago), they should actually get quite a decent meal.

Unfolding ideas

Astronomical telescopes gather light using curved mirrors. The bigger the mirror, the more powerful the telescope. The size of a space telescope's mirror, though, is limited by the size of rocket that carries it up. To get round this limit, the Webb telescope's mirror will be made of 36 pieces, folded up to fit in a compact space. When unfolded and rearranged, the result will have a diameter of about six metres, giving it seven times the light-gathering capability of Hubble.

The mirror elements will be thin (a mere 2mm deep) and may be made of beryllium, the second-lightest metal (though glass is also an option). In space, weight is money, so that is clearly a plus. But a mirror as thin as this would also be flexible. That is usually bad in a mirror, which has to be rigid to avoid distorting the image it is projecting. To overcome this problem, each segment of the Webb mirror will have four actuators controlling its shape.

Perhaps the cleverest thing about the Webb telescope is where it will sit in space. The Hubble goes round the earth, meaning that significant parts of the sky are blotted out during each orbit, making long observations harder. The Webb, by contrast, will hover in a peculiar place called a Lagrange point, where the gravitational fields of the earth and the sun exactly balance one another to create a neutral zone. It can therefore look uninterrupted in the same direction for as long as its masters desire.

This also means the telescope can be shielded from both the sun and the earth (which reflects a lot of sunlight) by a giant parasol. That would not be possible for an earth-orbiting telescope because the sun and the earth would constantly shift their relative positions. The parasol is necessary because the Webb telescope will be looking not for visible light, but for infra-red signals—in other words heat radiation. If it is to detect these, it must be kept as cool as possible. Its working temperature is 35° above absolute zero. To achieve that, the parasol will have to reflect or otherwise dissipate all but one part in 13m of the solar energy falling on it.

The Webb telescope is designed to study the infra-red because its goal is to look farther out in space (and therefore farther back in time) than any other telescope. Because the universe is expanding, distant objects are receding rapidly from the earth. Light from them therefore appears redder than it otherwise would, due to the Doppler effect. (The equivalent effect for sound waves makes a receding siren sound deeper than a stationary one.)

Astronomers hope to use the Webb telescope to observe the formation of galaxies and even of the earliest stars. Nobody has yet seen such first-generation stars, which condensed directly out of the primordial hydrogen and helium that formed in the Big Bang. All the stars that can be seen today are relative youngsters. They contain heavier elements that—if cosmological theory is correct—could only have formed in the cores of earlier stars.

The Hubble, and also some large ground-based telescopes, have caught mere glimpses of early galaxies, many of which look quite different from the spiral and elliptical forms common today. According to John Mather, a senior project scientist for the telescope at NASA's Goddard Spaceflight Centre in Greenbelt, Maryland, the Webb should be able to observe many early galaxies as they evolve.

Hidden depths

Studying old galaxies may also help to resolve one of the central mysteries of modern physics—the nature of so-called dark matter. This is matter that can be detected from its gravitational effects, but not actually seen. Much of it is probably made of strange and unknown stuff (see article). Because the Webb telescope will be able to detect so many distant galaxies, some of them are sure to be in line with each other as seen from earth. The closer of such a pair of galaxies will bend the light from the more distant one in an amount proportional to its mass. In effect, it will function as a gravitational lens. That will give away the real mass of the nearer galaxy, which can then be compared with the lower value suggested by the amount of luminous matter in it.

Such gravitational lensing has been detected with existing telescopes, but it is rare. With the large numbers of galaxies that the Webb will be able to see, astronomers should get a much better idea of where dark matter is distributed.

Looking in the infra-red part of the spectrum has benefits closer to home, too. It is in the infra-red that planets absorb and re-radiate energy from the stars that they orbit, so the contrast between a planet and its star is greatest in that part of the spectrum. This, according to Dr Mather, means that the Webb should be able to see planets the size of Jupiter, if there are any around nearby stars. How long it might take to get a spaceship to any of them is a different question entirely.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

The cosmic microwave background

Pole position

Dec 19th 2002
From The Economist print edition

Two results from the beginning of the universe suggest that existing theories of it, though strange, are correct

OTHER things being equal, outer space is the best place for a telescope (see article). Other things, though, rarely are equal—particularly with the paymasters. A good compromise, therefore, is to put your instrument in a place where the air is thin and dry. And in few places is it thinner and drier than above the South Pole. That is why the Amundsen-Scott base, America's presence at the pole, is the site of a number of telescopes.

Data from two of these have been released in the past few days. Both are studying the cosmic microwave background (CMB), which bathes the whole universe and—because it is the oldest electromagnetic radiation around—is the closest that astronomers can get to looking at the Big Bang in which the universe began.

On December 13th, a team led by William Holzapfel, of the University of California, Berkeley, and John Ruhl, of Case Western University in Cleveland, Ohio, published the first results from ACBAR, the Arcminute Cosmology Bolometer Array Receiver. This instrument is a sensitive detector that fits on a polar radio telescope called Viper. It is designed to detect even the tiniest fluctuations in the CMB.

When the CMB was discovered, in 1965, it was believed to be perfectly uniform. Ten years ago, a satellite showed that it actually contains fluctuations, but that early satellite could detect only features that were more than 7° of arc (about 14 times the diameter of a full moon) across. ACBAR is designed to measure fluctuations a hundredth of that size. That is important, for the size and distribution of these fluctuations shows how matter was distributed when the universe was 450,000 years old (one thirty-thousandth of its present age). And that in turn bears on what exactly it is made of.

Today's models of the universe suggest that it is composed of three sorts of stuff: “ordinary” matter, such as protons, neutrons and electrons; “strange dark matter”, the nature of which is unknown but can be guessed at; and “dark energy”, which acts as a repulsive force that drives the universe apart. Ordinary matter is only 5% of the total, strange dark matter is 30% and dark energy is 65%. Ordinary matter is therefore, according to this theory, the most exotic stuff around. Tweaking the ratio of the three sorts of stuff in the models changes the predicted fluctuations in the CMB. The fluctuations measured by ACBAR suggest that the conventional values (and thus the conventional theory) are correct.

The second result, published in this week's *Nature* by Erik Leitch and John Kovac, of the University of Chicago, and their colleagues, looks at the way the CMB is polarised. That the microwave background would be polarised was predicted long ago. That it actually is polarised had not previously been confirmed. The team used an array of polar radio telescopes called DASI (the Degree Angular Scale Interferometer) to detect and measure the amount of polarisation. Like those from ACBAR, the results from DASI perfectly match the theory. Ordinary matter, it seems, is truly the rarest thing in the universe.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

PRINTABLE PAGE VIEW SPONSORED BY

About sponsorship

Dee Brown

Dec 19th 2002
From The Economist print edition

Dee Brown, historian of the American west, died on December 12th, aged 94

AP

DESPITE its emotive title, Dee Brown's “Bury My Heart at Wounded Knee” is not what publishers call a page-turner. It is 446 pages long and each of its 19 chapters deals at length with an aspect of the history of North American Indians, supported by much detailed documentation. But when the book came out in 1970 reviewers found its pages well worth turning and wrote enthusiastically about Mr Brown's report of the white colonisation of the American west looked at from the Indian point of view. Numerous newspaper and magazine articles and television appearances by Mr Brown made the book a success, eventually selling 5m copies in 15 languages. Mr Brown turned out to be white, not an Indian storyteller as some had supposed. He charmed audiences with his account of how he had imagined himself as a “very, very old Indian” looking east “towards the Atlantic Ocean” from whence the whites had come and “remembering the past”.

Mr Brown had been writing, mainly about the American west, for nearly 40 years before “Wounded Knee” was published. For many years he had a day job as a librarian, at first working for a number of government departments and later for the University of Illinois. None of his previous books had attracted much attention. But his new book seemed to have caught a revisionist mood about perhaps the most important event in American history, the great expansion westwards. Mr Brown had not been the first to see that the Indians had been the victims rather than the villains. Other historians had noted the ruthlessness of American generals such as Phillip Sheridan: “The only good Indian is a dead Indian.” But Mr Brown's book was a comprehensive indictment of American treatment of the Indians. It was a rebuttal of decades of Hollywood fantasy about the west. Most western movies made since the 1970s have sought to show Indians having some dignity, although even now it is rare for an Indian character to be given a starring role unless you include Disney's Pocahontas.

A time of legend

He was born Dorris Brown, but for the sake of a quiet life at school in Arkansas he preferred to call himself Dee. Western legend was still fresh in the minds of the local people. Dee's great-grandmother had known Davy Crockett. One of Dee's friends was an Indian boy whose father worked on an oil rig. Once when they were watching a cowboy film his friend said, “Those aren't real Indians.”

Real Indians, Mr Brown was to discover, had for centuries coexisted with whites. They traded amicably and there was plenty of room in North America for everyone. In the three decades from 1860 to 1890, America's population doubled from 31m to 62m, mainly because of immigration. In what politicians called the country's “manifest destiny”, land that the Indians believed was theirs was handed to whites who could make the long journey westward and take possession of it. Go west young man, the government said, echoing a sentiment made by a romantic newspaperman, and take your family with you. Promises made by the government to Indians to respect their ancestral rights were dishonoured. The Indians were herded into reservations, a process that had started earlier in the century, or they were killed. Indians were described as red savages who scalped people (actually a practice of white soldiers). The so-called “Indian wars” were skirmishes where the put-upon Indians fought back and were usually crushed. Wounded Knee Creek in South Dakota was where in 1890 soldiers from the American Cavalry slaughtered more than 150 members of the Sioux, many of them women and children. The site remains a reminder that the whites have not been forgiven for destroying the Indian nation.

Mr Brown said that in his researches into the negotiations between the Indians and the American government, he was impressed by the quality of the Indian representatives. They were well briefed and aware of the government's policy of manifest destiny. Their weakness seems to be that they trusted the government to keep its word. “Their trust in authority was amazing; they just never seemed to believe that anyone could lie,” Mr Brown said in an interview. In “Wounded Knee” he quotes an Indian called Standing Bear:

> When people want to slaughter cattle they drive them along until they get them to a corral, and then they slaughter them. So it was with us.

Some commentators have said that the American government practised genocide against the Indians in the 19th century. But this sometimes misused word implies, incorrectly, that the government adopted a policy to kill off all Indians. What happened was that America was caught in what Tolstoy calls the unstoppable march of history; and in retrospect the overburdened government's policy is seen as one of muddling through. The immigrant hordes were going to move into what they saw as empty spaces whether or not they had permission from the government. The shame of the process remained hidden for many years, aided by mythology. Dee Brown, the painstaking librarian, did much to set the record right.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Overview

Dec 19th 2002
From The Economist print edition

America's industrial production rose by 0.1% in November, taking the 12-month rate of growth to 1.8%. Worries about deflation receded slightly, as annual consumer-price inflation rose to 2.2% in November, from 2.0% in October. However, producer prices fell in November by 0.4%, the largest drop since May. In one sign that America's housing boom may at last be slowing, the number of new building permits fell by 2.7% in November.

America's M3 measure of broad-money supply expanded by 6.6% in the 12 months to November, up from 6.1% growth in the 12 months to October. That was still far slower than last November, when annual growth of M3 touched 13.2% .

The country's merchandise-trade deficit, which has hit record highs in recent months, narrowed to $39.4 billion in November, although part of this was due to a strike at west-coast ports that reduced imports more than exports. The 12-month trade deficit widened to $456.6 billion; it is heading towards a new record high in 2002.

In more gloomy news for the **euro area's** biggest economy, **Germany's** Ifo business-sentiment index fell in December, for the seventh month in a row. In a more optimistic sign, the future expectations component of the index rose, for the first time since May.

Italy's industrial production fell by 2.1% in the year to October. **Dutch** unemployment was 2.5% in the three months to November, up from 2.4% in the three months to October. Wages in **Germany** increased by 1.2% in real terms in the year to October. In October, **France's** 12-month trade surplus rose to $9.0 billion, far above the $0.6 billion trade surplus in the 12 months to October 2001.

Sweden's industrial production fell by 1.5% in the year to October.

Britain's labour market remains robust. The ranks of benefit-claiming unemployed fell to a 27-year low in November. Consumer prices climbed higher in November, as the RPIX measure of annual inflation, which excludes mortgage payments, rose to 2.8%, from 2.3% in October, pushing it above the Bank of England's target rate of 2.5%. In the year to October, wages rose by 1.6% in real terms.

In October, **Canada** chalked up an unexpectedly big trade surplus, its largest for six months.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Output, demand and jobs

Dec 19th 2002
From The Economist print edition

% change on year ago

	GDP 1 qtr*	GDP 1 year	The Economist poll GDP forecasts 2002	The Economist poll GDP forecasts 2003	Industrial production latest	Retail sales (volume) latest	Unemployment % rate latest	Unemployment % rate year ago
Australia	+ 3.5	+ 3.7 Q3	+ 3.6	+ 3.3	+ 2.7 Q2	+ 5.4 Q3	6.1 Nov	6.8
Austria	+ 2.5	+ 0.9 Q2	+ 0.6	+ 1.6	– 1.9 Sep	+ 0.4 Aug	4.1 Oct	3.8
Belgium	+ 1.2	+ 0.8 Q3	+ 0.6	+ 1.7	+ 3.0 Oct	– 6.5 Sep	11.6 Nov†	10.8
Britain	+ 3.4	+ 1.8 Q3	+ 1.6	+ 2.5	– 1.2 Oct	+ 4.0 Nov	5.2 Oct††	5.1
Canada	+ 3.1	+ 4.0 Q3	+ 3.4	+ 3.2	+ 5.5 Sep	+ 7.0 Sep	7.5 Nov	7.6
Denmark	– 3.8	+ 0.9 Q3	+ 1.6	+ 2.0	nil Sep	+ 7.5 Oct	5.4 Oct	5.0
France	+ 0.9	+ 0.8 Q3	+ 1.0	+ 1.8	– 0.6 Oct	+ 2.7 Oct	9.0 Oct	8.7
Germany	+ 1.1	+ 0.4 Q3	+ 0.3	+ 1.1	– 1.4 Oct	– 1.1 Oct	10.0 Nov§	9.5
Italy	+ 1.1	+ 0.5 Q3	+ 0.4	+ 1.5	– 2.1 Oct	– 2.7 Sep	9.0 Jul	9.5
Japan	+ 3.2	+ 1.3 Q3	– 0.5	+ 0.7	+ 5.3 Oct	– 1.8 Oct	5.5 Oct	5.4
Netherlands	+ 0.3	+ 0.1 Q3	+ 0.3	+ 1.4	– 1.4 Oct	+ 0.9 Sep	2.5 Nov**	2.0
Spain	+ 3.2	+ 1.8 Q3	+ 1.9	+ 2.4	+ 4.1 Oct	na	11.7 Oct	10.6
Sweden	+ 1.6	+ 2.0 Q3	+ 1.7	+ 2.3	– 1.5 Oct	+ 8.6 Oct	3.9 Nov†	3.7
Switzerland	+ 1.3	+ 0.6 Q3	nil	+ 1.2	– 2.0 Q2	+ 2.6 Oct	3.3 Nov†	2.1
United States	+ 4.0	+ 3.2 Q3	+ 2.4	+ 2.6	+ 1.8 Nov	+ 0.6 Oct	6.0 Nov	5.6
Euro area	+ 1.3	+ 0.8 Q3	+ 0.7	+ 1.5	– 0.6 Sep	– 0.6 Sep	8.4 Oct	8.0
MORE COUNTRIES	Data for the countries below are not provided in printed editions of *The Economist*							
Finland	+ 1.9	+ 2.3 Q3	na	na	+ 4.3 Oct	+ 3.4 Aug	8.2 Nov†	8.8
Greece	na	+ 3.6 Q3	na	na	– 1.4 Sep	na	na	na
Iceland	na	+ 3.1 2001	na	na	+ 3.3 2001	na	2.8 Nov†	1.6
Ireland	na	+ 6.5 Q2	na	na	+16.9 Oct	+ 1.1 Oct	4.4 Nov	4.1
Luxembourg	na	+ 3.5 2001	na	na	– 1.4 Sep	– 5.7 Jul	3.3 Nov†	2.7
New Zealand	+ 7.1	+ 4.0 Q2	na	na	+ 4.3 Q2	+ 8.1 Q3	5.4 Q3	5.2
Norway	– 0.9	+ 1.0 Q3	na	na	+ 2.3 Oct	+ 2.8 Oct	3.8 Q3	3.6
Portugal	+ 2.8	+ 0.9 Q2	na	na	– 0.5 Oct	+ 1.4 Oct	5.1 Q3†	4.0

*% change at an annual rate. †Not seasonally adjusted. ††Aug-Oct; claimant count rate 3.1% in Nov. §EU harmonised rate 8.4% in Nov. **Sep-Nov.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Prices and wages

Dec 19th 2002
From The Economist print edition

% change on year ago

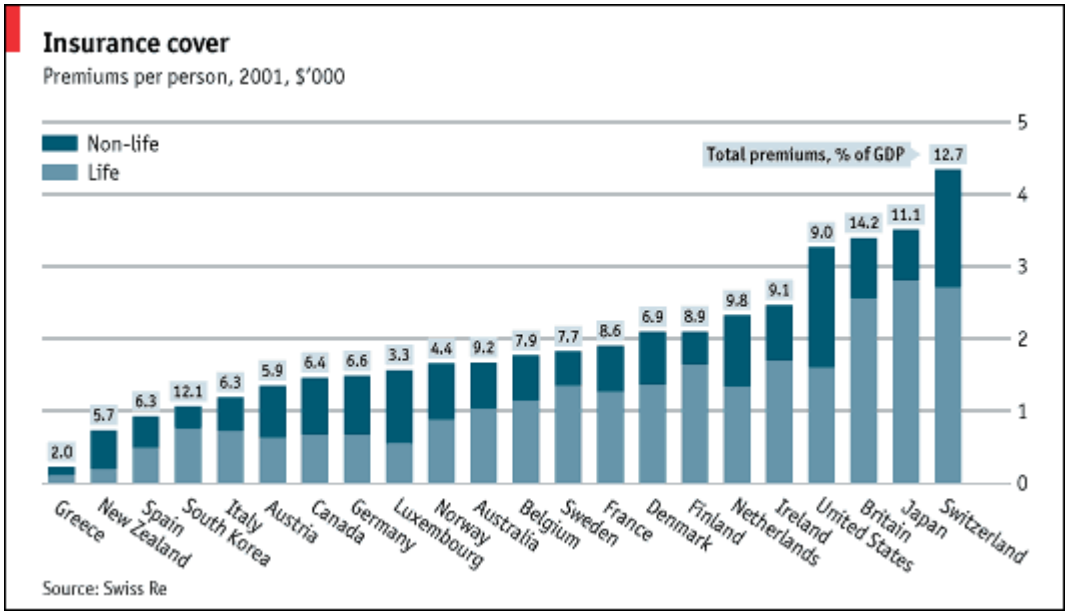
	Consumer prices			The Economist poll consumer prices forecast		Producer prices			Wages/earnings		
	latest		year ago	2002	2003	latest		year ago	latest		year ago
Australia	+ 3.2	Q3	+ 2.5	+ 2.9	+ 2.6	– 0.2	Q3	+ 2.4	+ 3.6	Q3	+ 4.0
Austria	+ 1.7	Nov	+ 2.1	+ 1.8	+ 1.7	+ 0.5	Nov	– 1.5	+ 2.3	Oct	+ 2.8
Belgium	+ 1.1	Nov	+ 2.1	+ 1.7	+ 1.4	+ 1.5	Nov	– 4.2	+ 2.1	Q3	+ 3.7
Britain	+ 2.1	Nov	+ 1.6	+ 1.9	+ 2.4	+ 1.2	Nov	– 3.6	+ 3.7	Oct	+ 4.3
Canada	+ 3.2	Oct	+ 1.9	+ 2.2	+ 2.5	+ 2.4	Oct	– 1.3	+ 2.6	Sep	+ 2.0
Denmark	+ 2.7	Nov	+ 1.9	+ 2.4	+ 2.1	+ 0.8	Nov	– 1.2	+ 3.9	Q3	+ 4.3
France	+ 2.2	Nov	+ 1.2	+ 1.9	+ 1.4	+ 0.6	Oct	– 1.5	+ 3.4	Q3	+ 4.2
Germany	+ 1.1	Nov	+ 1.7	+ 1.4	+ 1.1	+ 1.1	Nov	– 1.9	+ 2.5	Oct	+ 2.3
Italy	+ 2.8	Nov	+ 2.4	+ 2.5	+ 2.0	+ 1.1	Oct	– 0.6	+ 2.3	Oct	+ 2.5
Japan	– 0.9	Oct	– 0.8	– 1.0	– 0.6	+ 0.3	Nov	– 0.8	+ 1.5	Oct	– 0.4
Netherlands	+ 3.2	Nov	+ 4.2	+ 3.7	+ 2.5	+ 2.2	Oct	– 1.4	+ 3.4	Oct	+ 4.9
Spain	+ 3.9	Nov	+ 2.7	+ 3.4	+ 2.7	+ 1.6	Oct	– 0.4	+ 4.0	Q2	+ 2.9
Sweden	+ 2.3	Nov	+ 2.7	+ 2.3	+ 2.0	– 1.0	Oct	+ 0.5	+ 2.7	Sep	+ 3.6
Switzerland	+ 0.9	Nov	+ 0.3	+ 0.7	+ 0.8	– 0.4	Nov	– 2.0	+ 2.5	2001	+ 1.3
United States	+ 2.6	Nov	+ 2.2	+ 1.6	+ 2.1	+ 0.9	Nov	– 1.2	+ 2.9	Nov	+ 3.9
Euro area	+ 2.2	Nov	+ 2.1	+ 2.2	+ 1.7	+ 0.9	Oct	– 0.7	+ 3.3	Q2	+ 3.0
MORE COUNTRIES	Data for the countries below are not provided in printed editions of *The Economist*										
Finland	+ 1.7	Nov	+ 1.7	na	na	+ 1.1	Nov	– 4.3	+ 3.5	Q3	+ 4.7
Greece	+ 3.6	Nov	+ 2.4	na	na	+ 2.4	Nov	– 0.4	na		na
Iceland	+ 2.0	Dec	+ 8.6	na	na	+ 5.8	Nov	+ 6.8	+ 5.9	Oct	+ 9.1
Ireland	+ 4.8	Nov	+ 3.8	na	na	– 0.4	Oct	– 1.4	+ 4.3	Q2	+ 8.5
Luxembourg	+ 2.2	Nov	+ 2.1	na	na	– 0.1	Sep	– 0.6	+ 1.6	Sep	+ 1.7
New Zealand	+ 2.6	Q3	+ 2.4	na	na	– 1.7	Q3	+ 6.2	+ 2.3	Q3	+ 2.0
Norway	+ 2.1	Nov	+ 1.8	na	na	+ 3.2	Nov	–23.2	+ 5.0	Q3	+ 4.8
Portugal	+ 4.0	Nov	+ 3.9	na	na	+ 1.4	Oct*	+ 1.0	+ 0.6	Sep*	na

*Revised series.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Insurance cover

Dec 19th 2002
From The Economist print edition



Rich countries account for 90% of global life and non-life insurance premiums. Yet insurance cover varies widely across the rich world. The Swiss buy the most insurance, while many Greeks lack adequate cover. Among citizens of the European Union, Britons buy the most insurance, thanks in part to their fondness for using life insurance as part of their old-age savings.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Money and interest rates

Dec 19th 2002
From The Economist print edition

	Money supply* % change on year ago			Interest rates % p.a. (Dec 18th 2002)					
				3-mth money market		2-year	10-year gov't bonds		corporate
	narrow	broad		latest	year ago	gov't bonds	latest	year ago	bonds
Australia	– 6.7	+10.1	Oct	4.85	4.24	4.56	5.34	5.89	6.35
Britain	+ 6.8	+ 5.8	Nov	3.97	3.97	3.87	4.47	4.86	5.88
Canada	+11.1	+ 6.1	Oct	2.68	2.00	3.19	4.95	5.47	6.79
Denmark	+ 4.1	+ 6.4	Oct	3.20	3.45	3.15	4.48	4.98	6.77
Japan	+28.6	+ 3.2	Nov	0.02	0.02	0.05	0.94	1.32	1.06
Sweden	+ 2.6	+ 6.7	Aug	3.56	3.69	3.71	4.75	5.17	4.39
Switzerland	+12.3	+ 5.1	Nov	0.69	1.87	1.07	2.17	3.40	3.28
United States	+ 3.2	+ 6.6	Nov	1.34	1.84	1.79	4.05	5.12	6.39
Euro area†	+ 8.2	+ 7.0	Oct	2.94	3.35	2.79	4.23	4.76	4.86

*Narrow: M1 except Britain and Sweden M0, broad: M2 or M3 except Britain M4. †Germany for bonds. Benchmarks: US 30-year 4.96%, Japan No.244 0.95%. Central bank rates: US fed funds 1.25%, ECB refinancing 2.75%, BOJ overnight call 0.002%, BOE repo 4.00%. Sources: Commerzbank, Danske Bank, J.P. Morgan Chase, Royal Bank of Canada, Stockholmsbörsen, UBS Warburg, Global Insight, Westpac, Thomson Datastream. Rates cannot be construed as banks' offers.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

The Economist commodity price index

Dec 19th 2002
From The Economist print edition

1995=100

	Dec 10th	Dec 17th*	% change on one month	% change on one year
Dollar index				
All items	75.7	76.2	+ 0.2	+16.2
Food	78.3	79.4	– 0.7	+17.4
Industrials				
All	72.0	71.8	+ 1.7	+14.5
Nfa†	74.7	74.1	+ 2.5	+23.5
Metals	69.7	69.9	+ 0.9	+ 7.4
Sterling index				
All items	75.9	75.2	– 0.3	+ 5.9
Euro index				
All items	98.6	97.3	– 1.5	+ 1.8
Yen index				
All items	99.5	97.8	– 0.5	+ 9.7
Gold				
$ per oz	323.30	337.75	+ 5.5	+20.9
West Texas Intermediate				
$ per barrel	27.78	30.04	+13.8	+55.1

* Provisional. † Non-food agriculturals.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Stockmarkets

Dec 19th 2002
From The Economist print edition

Market indices

	Dec 18th	2002 high	2002 low	% change on one week	% change on record high	% change on Dec 31st 2001 in local currency	% change on Dec 31st 2001 in $ terms
Australia (All Ordinaries)	2,957.0	3,440.0	2,855.5	+ 0.6	-14.0	-12.0	- 2.8
Austria (ATX)	1,132.8	1,357.2	1,003.7	+ 0.2	-34.8	- 0.7	+13.8
Belgium (Bel 20)	1,975.5	2,899.8	1,773.7	- 1.7	-46.3	-29.0	-18.7
Britain (FTSE 100)	3,835.2	5,323.8	3,671.1	- 3.5	-44.7	-26.5	-19.8
Canada (Toronto Composite)	6,560.9	7,958.1	5,695.3	- 0.4	-42.4	-14.7	-12.8
Denmark (KBX)	170.0	233.4	156.4	+ 2.0	-43.7	-24.4	-13.3
France (SBF 250)	2,064.6	3,081.9	1,794.5	- 3.5	-53.0	-30.8	-20.7
(CAC 40)	3,077.4	4,688.0	2,656.5	- 3.5	-55.5	-33.5	-23.8
Germany (Xetra DAX)	3,022.7	5,462.6	2,597.9	- 5.4	-62.5	-41.4	-32.9
Italy (BCI)	1,116.8	1,513.0	974.4	- 1.0	-48.8	-22.1	-10.8
Japan (Nikkei 225)	8,344.0	11,979.9	8,303.4	- 4.4	-78.6	-20.9	-14.4
(Topix)	815.7	1,139.4	815.7	- 4.2	-71.7	-21.0	-14.5
Netherlands (AEX)	323.6	531.2	291.4	- 3.6	-53.9	-36.2	-26.9
Spain (Madrid SE)	646.7	848.1	568.5	- 2.9	-43.6	-21.6	-10.2
Sweden (Affarsvarlden Gen)	147.7	236.8	122.7	- 6.2	-63.1	-36.2	-25.1
Switzerland (Swiss Market)	4,804.6	6,694.1	4,435.0	- 2.1	-42.9	-25.1	-14.1
United States (DJIA)	8,447.4	10,635.3	7,286.8	- 1.7	-27.9	-15.7	-15.7
(S&P 500)	891.1	1,172.5	776.8	- 1.5	-41.7	-22.4	-22.4
(NASDAQ Comp)	1,361.5	2,059.4	1,114.1	- 2.5	-73.0	-30.2	-30.2
Europe (FTSE Eurotop 300)*	862.6	1,279.7	797.2	- 3.5	-49.4	-31.6	-21.7
Euro area (FTSE Ebloc 100)*	727.5	1,125.1	639.4	- 3.7	-53.1	-34.6	-25.1
World (MSCI)†	791.6	1,024.4	703.7	- 1.6	-45.4	na	-21.1
World bond market (Salomon)‡	514.3	514.3	430.3	+ 1.6	nil	na	+17.0

*In euro terms. †Morgan Stanley Capital International index includes individual markets listed above plus eight others, in dollar terms.
‡Salomon Smith Barney World Government Bond Index, total return, in $ terms.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Trade, exchange rates and budgets

Dec 19th 2002
From The Economist print edition

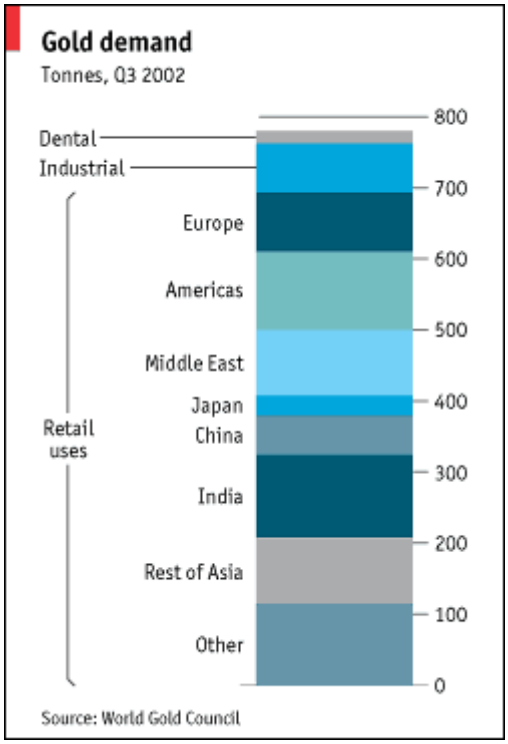
	Trade balance*, $bn latest 12 months		Current account $bn latest 12 mths		The Economist poll % of GDP, forecast 2002	2003	Exchange rate trade-weighted† 1990=100 Dec 18th	year ago	Currency units per $ Dec 18th	year ago	per £	per euro	per ¥100	Budget balance % of GDP 2002‡
Australia	− 3.3	Oct	− 14.3	Q3	− 3.8	− 3.9	74.1	72.9	1.77	1.94	2.81	1.80	1.46	0.1
Austria	− 0.2	Sep	− 0.9	Oct	− 0.8	− 0.9	100.9§	100.3	0.98	1.11	1.56	–	0.81	-1.6
Belgium	+ 16.7	Oct	+ 12.4	Jun	+ 5.1	+ 5.0	100.1§	99.1	0.98	1.11	1.56	–	0.81	nil
Britain	− 49.0	Oct	− 25.8	Q2	− 2.0	− 2.0	105.8	106.9	0.63	0.69	–	0.64	0.52	-1.4
Canada	+ 31.8	Oct	+ 12.4	Q3	+ 1.9	+ 1.9	76.1	76.5	1.56	1.57	2.48	1.59	1.29	0.6
Denmark	+ 7.4	Oct	+ 4.2	Oct	+ 2.2	+ 2.0	103.6	102.7	7.28	8.25	11.6	7.43	6.01	2.2
France	+ 9.0	Oct	+ 26.8	Sep	+ 1.6	+ 1.6	103.0§	101.8	0.98	1.11	1.56	–	0.81	-2.7
Germany	+112.9	Oct	+ 38.7	Oct	+ 1.4	+ 1.1	100.0§	98.7	0.98	1.11	1.56	–	0.81	-3.7
Italy	+ 11.1	Oct	− 1.0	Sep	nil	− 0.1	73.5§	72.7	0.98	1.11	1.56	–	0.81	-2.3
Japan	+ 89.3	Oct	+113.9	Oct	+ 2.8	+ 2.8	131.3	131.3	121	128	192	124	–	-7.9
Netherlands	+ 26.9	Oct	+ 9.0	Q3	+ 3.0	+ 3.2	99.2§	98.1	0.98	1.11	1.56	–	0.81	-0.8
Spain	− 36.9	Sep	− 15.4	Sep	− 2.1	− 1.9	75.0§	74.3	0.98	1.11	1.56	–	0.81	nil
Sweden	+ 14.2	Oct	+ 11.1	Oct	+ 3.3	+ 3.3	78.7	74.1	8.93	10.5	14.2	9.11	7.37	1.7
Switzerland	+ 4.5	Nov	+ 22.7	Q2	+10.2	+10.5	115.2	112.4	1.45	1.63	2.30	1.48	1.19	na
United States	−456.6	Oct	−462.2	Q3	− 4.8	− 5.0	111.6	120.4	–	–	1.59	1.02	0.83	-3.1
Euro area	+ 95.6	Sep	+ 38.0	Sep	+ 0.6	+ 0.6	83.6	79.3	0.98	1.11	1.56	–	0.81	-2.2
MORE COUNTRIES	Data for the countries below are not provided in printed editions of *The Economist*													
Finland	+ 12.7	Oct	+ 9.2	Oct	na	na	79.0§	78.8	0.98	1.11	1.56	–	0.81	3.2
Greece	− 20.7	Oct	− 8.1	Oct	na	na	58.1§	57.5	0.98	1.11	1.56	–	0.81	-1.1
Iceland	+ 0.2	Oct	− 0.1	Q2	na	na	93.5**	86.8	82.5	100.4	131	84.1	68.1	0.3
Ireland	+ 34.7	Sep	+ 0.4	Q2	na	na	89.2§	87.7	0.98	1.11	1.56	–	0.81	-0.5
Luxembourg	− 2.7	Sep	+ 2.1	Q2	na	na	100.1§	99.1	0.98	1.11	1.56	–	0.81	1.8
New Zealand	− 0.4	Oct	− 1.7	Q3	na	na	92.2	80.2	1.95	2.41	3.10	1.99	1.61	1.6
Norway	+ 25.6	Nov	+ 25.6	Sep	na	na	107.1	96.4	7.16	8.90	11.4	7.30	5.91	12.4
Portugal	− 12.6	Sep	− 9.8	Sep	na	na	91.1**	90.1	0.98	1.11	1.56	–	0.81	-3.4

*Merchandise. Australia, Britain, France, Canada, Japan and United States imports fob, exports fob. All others cif/fob. †Bank of England except §IMF, October average. ‡OECD forecast. **IMF, August average.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Gold demand

Dec 19th 2002
From The Economist print edition



Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Overview

Dec 19th 2002
From The Economist print edition

Thailand's economy grew by 6.0% in the year to the third quarter, up from 5.1% in the year to the second quarter.

In the year to the third quarter, **Russia's** economy grew by 4.3%. Industrial output rose by 0.8% in the 12 months to November.

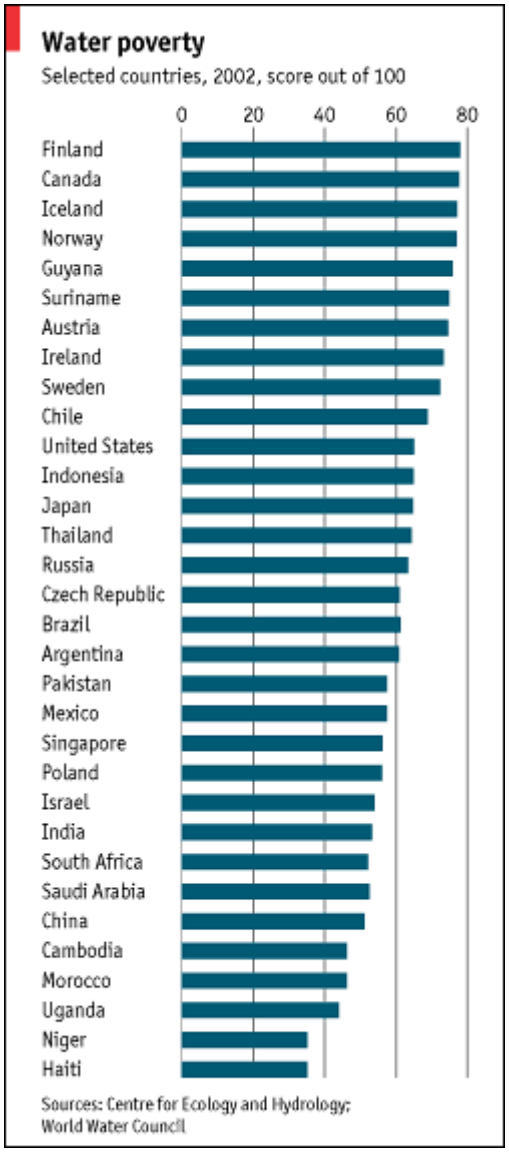
Between October and November, year-on-year inflation slowed from 2.1% to 1.9% in **Malaysia**, from 6.9% to 6.7% in **Israel** and from 1.1% to 0.9% in **Poland**. In **South Africa**, inflation stayed at 14.5%.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Water poverty

Dec 19th 2002
From The Economist print edition

A new water-poverty index, developed by Britain's Centre for Ecology and Hydrology and the World Water Council, grades countries according to their water resources, access, use and environmental impact. Finland is top scorer, with plenty of water wisely used; Haiti comes bottom. On the whole, poor countries do worse than rich ones, with some exceptions: Guyana's score, for example, is raised by good access to safe water, and Japan's is marked down by problems with pollution. America's standing is lowered by inefficient use of water in fields, factories and homes.



Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Economy

Dec 19th 2002
From The Economist print edition

	% change on year ago						Latest 12 months, $bn				Foreign reserves* $bn, latest	
	GDP		Industrial production		Consumer prices		Trade balance		Current account			
China	+ 8.1	Q3	+14.5	Nov	– 0.7	Nov	+29.3	Nov	+17.4	2001	263.0	Sep
Hong Kong	+ 3.3	Q3	–11.2	Q2	– 3.6	Oct	– 7.7	Oct	+15.7	Q2	111.0	Nov
India	+ 6.0	Q2	+ 6.2	Oct	+ 4.1	Oct	– 6.1	Oct	+ 2.0	Q2	63.6	Nov
Indonesia	+ 3.9	Q3	– 7.6	Jul‡	+10.5	Nov	+26.3	Oct	+ 6.9	Q2	29.0	Oct
Malaysia	+ 5.6	Q3	+ 6.4	Oct	+ 1.9	Nov	+13.0	Oct	+ 6.9	Q2	32.7	Oct
Philippines	+ 3.8	Q3	– 4.9	Sep	+ 2.5	Nov	+ 2.2	Oct	+ 5.9	Aug	12.9	Nov
Singapore	+ 3.9	Q3	+11.8	Oct	– 0.2	Oct	+ 7.8	Oct	+18.9	Q3	80.2	Nov
South Korea	+ 5.8	Q3	+12.7	Oct	+ 3.5	Nov	+11.3	Nov	+ 6.2	Oct	116.3	Oct
Taiwan	+ 4.8	Q3	+ 7.4	Oct	– 0.6	Nov	+18.1	Nov	+25.0	Q3	159.1	Nov
Thailand	+ 6.0	Q3	+ 8.9	Oct	+ 1.2	Nov	+ 4.7	Oct	+ 7.5	Oct	36.4	Oct
Argentina	–13.6	Q2	– 5.4	Nov	+40.5	Nov	+15.7	Oct	+ 3.9	Q2	9.9	Oct
Brazil	+ 2.4	Q3	+ 8.9	Oct	+10.9	Nov	+12.2	Nov	–10.8	Oct	35.9	Oct
Chile	+ 1.8	Q3	+ 7.1	Oct	+ 3.0	Nov	+ 2.6	Oct	+ 0.9	Q3	14.9	Oct
Colombia	+ 1.9	Q3	+ 2.8	Sep	+ 7.1	Nov	+ 0.2	Sep	– 1.3	Q2	10.6	Oct
Mexico	+ 1.8	Q3	– 0.6	Sep	+ 5.4	Nov	– 8.8	Oct	–16.1	Q3	46.1	Oct
Peru	+ 4.5	Oct	+ 3.1	Oct	+ 1.5	Nov	+ 0.3	Oct	– 1.0	Q3	9.4	Oct
Venezuela	– 5.5	Q3	– 6.6	Jul	+30.7	Nov	+11.4	Q3	+ 4.9	Q3	8.2	Sep
Egypt	+ 4.9	2001†	+ 7.8	2001†	+ 2.8	Oct	– 8.0	Aug	nil	Q2	12.8	Aug
Israel	– 0.8	Q3	– 0.2	Sep	+ 6.7	Nov	– 6.3	Nov	– 1.9	Q3	24.1	Nov
South Africa	+ 3.1	Q3	+ 4.3	Oct	+14.5	Nov	+ 3.7	Oct	nil	Q3	6.0	Oct
Turkey	+ 7.9	Q3	+11.8	Oct	+31.8	Nov	–11.7	Sep	+ 0.8	Sep	25.6	Oct
Czech Republic	+ 1.5	Q3	+ 3.5	Oct	+ 0.5	Nov	– 3.0	Oct	– 4.2	Q3	22.5	Nov
Hungary	+ 3.4	Q3	– 0.6	Oct	+ 4.8	Nov	– 2.9	Oct	– 2.9	Oct	9.7	Oct
Poland	+ 0.8	Q2	+ 3.2	Oct	+ 0.9	Nov	–10.1	Oct	– 6.3	Oct	28.5	Nov
Russia	+ 4.3	Q3	+ 0.8	Nov	+15.2	Nov	+44.1	Oct	+27.6	Q3	43.0	Oct
MORE COUNTRIES	Data for the countries below are not provided in printed editions of *The Economist*											
Pakistan	+ 3.3	2001†	– 0.5	Jun	+ 3.5	Oct	– 1.2	Nov	+ 2.7	2002†	6.8	Oct
Saudi Arabia	+ 1.2	2001	na		– 0.5	Aug	+44.1	2001	+14.5	2001	20.2	Oct

*Excluding gold, except Singapore; IMF definition. †Year ending June. ‡New series.

Sources: National statistics offices, central banks and stock exchanges; Thomson Financial Datastream; Economist Intelligence Unit; Reuters; Warburg Dillon Read; J.P Morgan Chase; Hong Kong Monetary Authority; Centre for Monitoring Indian Economy; FIEL; EFG-Hermes; Bank Leumi Le-Israel; Standard Bank Group; Garanti Bank; Deutsche Bank; *Russian Economic Trends*.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.

Financial markets

Dec 19th 2002
From The Economist print edition

	Currency units			Interest rates	Stockmarkets	% change on		
	per $		per £	short-term	Dec 18th		Dec 31st 2001	
	Dec 18th	year ago	Dec 18th	% p.a.		one week	in local currency	in $ terms
China	8.28	8.28	13.1	na	1,475.1	+2.3	– 13.9	– 13.9
Hong Kong	7.80	7.80	12.4	1.60	9,548.7	–2.4	– 16.2	– 16.2
India	48.1	47.8	76.4	5.43	3,333.3	+0.9	+ 2.2	+ 2.4
Indonesia	8,890	10,155	14,118	13.72	406.4	+3.7	+ 3.7	+ 21.3
Malaysia	3.80	3.80	6.03	3.10	635.8	+0.1	– 8.7	– 8.7
Philippines	53.7	51.6	85.2	7.13	1,018.4	+0.5	– 12.8	– 16.2
Singapore	1.75	1.84	2.77	0.81	1,334.7	–2.9	– 17.8	– 13.1
South Korea	1,202	1,287	1,908	4.96	709.2	+1.5	+ 2.2	+ 11.8
Taiwan	34.8	34.7	55.2	1.80	4,535.9	–3.5	– 18.3	– 17.7
Thailand	43.0	43.8	68.4	1.92	350.6	–4.1	+ 15.4	+ 18.6
Argentina	3.51	1.00	5.57	6.20	487.6	–0.5	+ 65.1	– 52.9
Brazil	3.53	2.35	5.60	21.90	10,984.5	+3.5	– 19.1	– 47.0
Chile	696	664	1,105	2.76	4,943.4	+0.9	– 8.4	– 13.0
Colombia	2,822	2,305	4,482	7.72	1,555.7	+2.3	+ 45.3	+ 17.2
Mexico	10.27	9.11	16.3	6.98	6,089.7	–0.7	– 4.4	– 14.6
Peru	3.50	3.44	5.55	3.61	1,399.0	+1.5	+ 19.0	+ 17.2
Venezuela	1,255	752	1,992	31.30	8,015.2§	na	+ 22.0	– 26.3
Egypt	4.62	4.54	7.34	6.10	5,284.5	–2.4	+ 0.2	– 0.7
Israel	4.67	4.24	7.41	6.14	355.9	–2.7	– 20.4	– 24.7
South Africa	9.0	12.20	14.2	13.45	9,490.6	+4.7	– 9.1	+ 21.7
Turkey	1,621,950	1,445,500	2,575,819	42.00	11,568.9	–9.0	– 16.1	– 24.7
Czech Republic	30.4	35.4	48.3	2.58	449.3	–3.4	+ 13.9	+ 33.2
Hungary	229	272	364	8.40	7,887.7	+2.1	+ 10.6	+ 32.7
Poland	3.89	3.97	6.19	7.00	14,164.1	–1.7	+ 1.7	+ 3.2
Russia	31.9	30.3	50.6	21.00	346.5‡	+1.1	+ 39.2	+ 33.2
EMF (MSCI)*	1.00	1.00	1.59	na	299.4	+0.8	na	– 5.7
EMBI+†	1.00	1.00	1.59	na	227.1	+1.1	na	+ 13.4

*Emerging Mkts Free. †J.P. Morgan Chase's Emerging Mkts Bond Index Plus. ‡ In $ terms. §Nov 29th.

Sources: National statistics offices, central banks and stock exchanges; Thomson Financial Datastream; Economist Intelligence Unit; Reuters; Warburg Dillon Read; J.P Morgan Chase; Hong Kong Monetary Authority; Centre for Monitoring Indian Economy; FIEL; EFG-Hermes; Bank Leumi Le-Israel; Standard Bank Group; Garanti Bank; Deutsche Bank; *Russian Economic Trends*.

Copyright © 2006 The Economist Newspaper and The Economist Group. All rights reserved.